

CITY OF PINCONNING

ORDINANCE #22-02

ORDINANCE NO. 22-01

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF REVENUE REFUNDING BONDS TO PAY THE COST OF REFUNDING BONDS OF EQUAL STANDING WITH REVENUE BONDS NOW OUTSTANDING; TO CONFIRM THE EXISTING RATES FOR THE SYSTEM AND TO PROVIDE FOR OTHER MATTERS RELATING TO THE SYSTEM AND THE BONDS; TO PRESCRIBE THE FORM OF THE BONDS; TO PROVIDE FOR THE COLLECTION OF REVENUES FROM THE SYSTEM SUFFICIENT FOR THE PURPOSE OF PAYING THE COSTS OF OPERATION AND MAINTENANCE OF THE SYSTEM AND TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS; TO PROVIDE AN ADEQUATE RESERVE ACCOUNT FOR THE BONDS; TO PROVIDE FOR THE SEGREGATION AND DISTRIBUTION OF THE REVENUES; TO PROVIDE FOR THE RIGHTS OF THE HOLDERS OF THE BONDS IN ENFORCEMENT THEREOF; AND TO PROVIDE FOR OTHER MATTERS RELATING TO THE BONDS AND THE SYSTEM.

THE CITY OF PINCONNING ORDAINS:

Section 1. Definitions. The following words and terms used in this Ordinance shall have the meanings assigned in this Section, unless the context clearly indicates otherwise.

“Acquired,” as used in this Ordinance, shall be construed to include acquisition by purchase, construction or by any other method.

“Adjusted Net Revenues” shall mean for any operating year the excess of revenues over expenses for the System determined in accordance with generally accepted accounting principles, to which shall be added depreciation, amortization, interest expense on bonds and payments to the City in lieu of taxes, to which may be made the following adjustments: (i) Revenues may be augmented by the amount of any rate increases adopted prior to the issuance of additional bonds or to be placed into effect before the time principal or interest on the additional bonds becomes payable from Revenues as applied to quantities of service furnished during the operating year or portion thereof that the increased rates were not in effect, and (ii) Revenues may be augmented by amounts which may be derived from rates and charges to be paid by new customers of the System. The adjustment of revenues and expenses by the factors set forth in (i) and (ii) above shall be reported upon by professional engineers or certified public accountants or other experts not in the regular employment of the City.

“Act 94” shall mean Act 94, Public Acts of Michigan, 1933, as amended.

“Additional Bonds” shall mean the bonds issued pursuant to Section 15 of this Ordinance.

“Bond Reserve Account” shall mean the subaccount in the Bond and Interest Redemption Account established in accordance with Section 12 of this Ordinance.

“Bond” or “Bonds” shall mean, collectively, the Series 2022 Bonds and any Additional Bonds of equal standing hereafter issued.

“Fiscal Year” shall mean the fiscal year of the Issuer and the operating year of the System, commencing July 1 and ending June 30 of the subsequent year, as such year may be changed from time to time.

“Issuer” or “City” shall mean the City of Pinconning, County of Bay, State of Michigan.

“Municipal Advisor” shall mean AMKO Advisors, Fargo, North Dakota.

“Ordinance” shall mean this ordinance and any ordinance or resolution of the Issuer amendatory or supplemental to this ordinance, including ordinances or resolutions authorizing issuance of Additional Bonds.

“Purchaser” shall mean Huron Community Bank, East Tawas, Michigan.

“Refunded Bonds” shall mean the Series 1996A Bonds, Series 2002A Bonds and Series 2002B Bonds.

“Reserve Amount” shall mean with respect to the Series 2022 Bond 0% of the maximum annual debt service on the Series 2022 Bond.

“Revenues” and “Net Revenues” shall mean the revenues and net revenues of the Issuer derived from the operation of the System and shall be construed as defined in Section 3 of Act 94, including with respect to “Revenues,” the earnings derived from the investment of moneys in the various funds and accounts established by this Ordinance.

“Series 1996A Bonds” shall mean the Issuer’s outstanding Water Supply and Sewage Disposal System Revenue Bond, Series 1996A.

“Series 2002A Bonds” shall mean the Issuer’s outstanding Water Supply and Sewage Disposal System Revenue Bond, Series 2002A.

“Series 2002B Bonds” shall mean the Issuer’s outstanding Water Supply and Sewage Disposal System Revenue Bond, Series 2002B.

“Series 2022 Bond” shall mean the Issuer’s Water Supply and Sewage Disposal System Revenue Refunding Bond, Series 2022 in the principal amount not to exceed \$1,885,000 authorized to be issued pursuant to this Ordinance.

“System” shall mean the Issuer’s Water Supply and Sewage Disposal System including such facilities thereof as are now existing, and all enlargements, extensions, repairs and improvements thereto hereafter made.

“Transfer Agent” shall mean AMKO Bond Services, LLC, Fargo, North Dakota.

Section 2. Necessity; Public Purpose. It is hereby determined to be necessary for the public welfare of the City to refund the Refunded Bonds.

Section 3. Series 2022 Bond Authorized. To pay the cost of refunding the Refunded Bonds and the costs of issuance of the Series 2022 Bond, it is hereby determined that there be borrowed upon the credit of the Revenues of the System, the sum of not to exceed One Million Eight Hundred Eighty-Five Thousand Dollars (\$1,885,000), and the Series 2022 Bond be issued therefor, under the provisions of Act 94.

Section 4. Series 2022 Bond Details. The Series 2022 Bond shall be designated WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE REFUNDING BOND, SERIES 2022, shall be payable out of the Net Revenues as set forth more fully

in Section 7 hereof, shall consist of one nonconvertible bond of the denomination of \$1,885,000 (or such lesser amount as determined by the City Manager), dated as of the date of delivery of the Series 2022 Bond, and shall be payable in principal installments on June 1, commencing June 1, 2023 and ending June 1, 2037, in such amounts as determined by the City Manager in the Sale Order, and subject to redemption in the manner and at the times and prices to be determined at the time of sale by the City Manager in the Sale Order.

The City Manager is authorized to decrease the aggregate principal amount of the Series 2022 Bond and/or change the payment dates and the amounts of any of the foregoing installments if it is in the best interest of the Issuer, provided that the final principal payment of the Series 2022 Bond shall be due and payable no later than June 1, 2040.

The Series 2022 Bond shall bear interest at the rate to be determined by the City Manager in the Sale Order, but not in excess of 4.150% per annum, payable on June 1st and December 1st of each year, commencing December 1, 2022, or such other dates and in such years as determined by the City Manager in the Sale Order. Interest on the Series 2022 Bond shall be payable by check or draft mailed by the Transfer Agent to the person or entity which is, as of the 15th day of the month preceding the interest payment date, the registered owner at the registered address as shown on the registration books of the Issuer maintained by the transfer agent. The date of determination of registered owner for purposes of payment of interest as provided in this paragraph may be changed by the Issuer to conform to market practice in the future.

Section 5. Execution and Delivery of the Bonds. The Series 2022 Bond shall be executed in the name of the City with the facsimile signatures of the Mayor and the City Clerk and shall have the City’s seal or a facsimile thereof printed on them. No Bond shall be valid until authenticated by an authorized signor of the Transfer Agent. The Series 2022 Bond shall be delivered to the Transfer Agent for authentication and be delivered by the Transfer Agent to the purchaser in accordance with instructions from the Treasurer of the City upon payment of the purchase price for the Series 2022 Bond in accordance with the bid therefor when accepted. Executed blank bonds for registration and issuance to transferees shall simultaneously, and from time to time thereafter as necessary, be delivered to the Transfer Agent for safekeeping.

Section 6. Bond Registration and Transfer Agent. The Transfer Agent shall keep or cause to be kept at its principal office sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Issuer. The Transfer Agent shall transfer or cause to be transferred on said books Bonds presented for transfer, as hereinafter provided and subject to such reasonable regulations as it may prescribe.

The Bonds may be transferred upon the books required to be kept by the Transfer Agent pursuant to this Section, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for transfer, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Transfer Agent. Whenever any Bond shall be surrendered for transfer, the Transfer Agent shall record such transfer on the registration books and shall register such transfer on the registration grid attached to the applicable Bond. At the time of such transfer the Transfer Agent shall note on the Bond the outstanding principal amount thereof at the time of such transfer. The Transfer Agent shall require the payment by the bondholder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer. The Issuer shall not be required (i) to issue, register the transfer of, or exchange any Bond during a period beginning at the opening of business fifteen days before the day of the mailing of a notice of prepayment of a Bond or installments thereof selected for redemption and ending at the close of business on the day of that mailing, or (ii) to register the transfer of or exchange any Bond or portion thereof so selected for prepayment. In the event a Bond is called for prepayment in part, the Transfer Agent upon surrender of the Bond shall note on the Bond the principal amount prepaid and shall return the Bond to the registered owner thereof together with the prepayment amount on the prepayment date.

The Transfer Agent shall keep or cause to be kept, at its principal office, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Issuer; and, upon presentation for such purpose, the Transfer Agent shall, under such reasonable regulations as it may prescribe, transfer or cause to be transferred, on said books, Bonds as hereinbefore provided.

If any Bond shall become mutilated, the Issuer, at the expense of the holder of the Bond, shall execute, and the Transfer Agent shall authenticate and deliver, a new Bond of like tenor in exchange and substitution for the mutilated Bond, upon surrender to the Transfer Agent of the mutilated Bond. If any Bond issued under this Ordinance shall be lost, destroyed or stolen, evidence of the loss, destruction or theft may be submitted to the Transfer Agent and, if this evidence is satisfactory to both and indemnity satisfactory to the Transfer Agent shall be given, and if all requirements of any applicable law including Act 354, Public Acts of Michigan, 1972, as amended (“Act 354”), being sections 129.131 to 129.135, inclusive, of the Michigan Compiled Laws have been met, the Issuer, at the expense of the owner, shall execute, and the Transfer Agent shall thereupon authenticate and deliver, a new Bond of like tenor and bearing the statement required by Act 354, or any applicable law hereafter enacted, in lieu of and in substitution for the Bond so lost, destroyed or stolen. If any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond the Transfer Agent may pay the same without surrender thereof.

The City Manager is authorized to execute one or more agreements with the Transfer Agent on behalf of the City. The City reserves the right to replace the Transfer Agent at any time upon written notice to the registered owners of the Series 2022 Bond not less than sixty (60) days prior to any interest payment date.

Section 7. Payment of the Bonds. The Series 2022 Bond and the interest thereon shall be payable solely from the Net Revenues, and to secure such payment, there is hereby created a statutory lien upon the whole of the Net Revenues which shall be a first lien that will continue until payment in full of the principal of and interest on all Bonds payable from the Net Revenues, or, until sufficient cash or Sufficient Government Obligations have been deposited in trust for payment in full of all Bonds of a series then outstanding, principal and interest on such Bonds to maturity, or, if called for redemption, to the date fixed for redemption together with the amount of the redemption premium, if any. Upon deposit of cash or Sufficient Government Obligations, as provided in the previous sentence, the statutory lien shall be terminated with respect to that series of Bonds, the holders of that series shall have no further rights under this Ordinance except for payment from the deposited funds, and the Bonds of that series shall no longer be considered to be outstanding under this Ordinance.

Section 8. Bondholders’ Rights; Receiver. The holder or holders of the Bonds representing in the aggregate not less than twenty percent (20%) of the entire principal amount thereof then outstanding, may, by suit, action, mandamus or other proceedings, protect and enforce the statutory lien upon the Net Revenues of the System, and may, by suit, action, mandamus or other proceedings, enforce and compel performance of all

duties of the officers of the Issuer, including the fixing of sufficient rates, the collection of Revenues, the proper segregation of the Revenues of the System and the proper application thereof. The statutory lien upon the Net Revenues, however, shall not be construed as to compel the sale of the System or any part thereof.

If there is a default in the payment of the principal of or interest on the Bonds, any court having jurisdiction in any proper action may appoint a receiver to administer and operate the System on behalf of the Issuer and under the direction of the court, and by and with the approval of the court to perform all of the duties of the officers of the Issuer more particularly set forth herein and in Act 94.

The holder or holders of the Bonds shall have all other rights and remedies given by Act 94 and law, for the payment and enforcement of the Bonds and the security therefor.

Section 9. Bond Form. The Series 2022 Bond shall be in substantially the following form:

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MICHIGAN UNIFORM SECURITIES ACT, AS AMENDED, IN RELIANCE UPON EXEMPTIONS THEREUNDER. ANY RESALE OR OTHER TRANSFER OF THIS BOND MAY BE MADE ONLY UPON REGISTRATION UNDER SUCH ACTS OR IN AN EXEMPT TRANSACTION UNDER SUCH ACTS AND UPON COMPLIANCE WITH THE CONDITIONS SET FORTH HEREIN AND MAY BE OFFERED AND SOLD ONLY IF REGISTERED PURSUANT TO THE PROVISIONS OF THOSE ACTS OR IF AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF BAY

CITY OF PINCONNING
WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM
REVENUE REFUNDING BOND, SERIES 2022

REGISTERED OWNER:

PRINCIPAL AMOUNT: Dollars

INTEREST RATE: 4.15%

DATE OF ORIGINAL ISSUE: July 29, 2022

The City of Pinconning, County of Bay, State of Michigan (the "Issuer"), for value received, hereby promises to pay, but only out of the hereinafter described Net Revenues of the Issuer's Water Supply and Sewage Disposal System (the "System"), the Principal Amount specified above, in annual principal installments on the dates and in the amounts set forth in Exhibit A attached hereto and made a part hereof, in lawful money of the United States of America to the Registered Owner shown above, or registered assigns, unless prepaid prior thereto as hereinafter provided, on the Maturity Date set forth in Exhibit A attached hereto and made a part hereof, with interest thereon (computed on the basis of a 360 day year consisting of twelve 30-day months) from the Date of Original Issue shown above or such later date to which interest has been paid, until paid, at the Interest Rate per annum shown above, payable on December 1, 2022, and semiannually thereafter. Principal of this bond is payable upon surrender of this bond at the principal corporate trust office of AMKO Bond Services, LLC, Fargo, North Dakota, or such other transfer agent as the Issuer may hereafter designate by notice mailed to the registered owner not less than 60 days prior to any interest payment date (the "Transfer Agent"). Interest on this bond is payable by check or draft mailed by the Transfer Agent to the person or entity who or which is, as of the 15th day of the month preceding the interest payment date, the registered owner of record, at the registered address as shown on the registration books of the Issuer kept by the Transfer Agent. For prompt payment of principal and interest on this bond, the Issuer has irrevocably pledged the revenues of the System, including all appurtenances, extensions and improvements thereto, after provision has been made for reasonable and necessary expenses of operation, maintenance and administration (the "Net Revenues"), and a statutory first lien thereon is hereby recognized and created.

This bond is a single, fully-registered, non-convertible bond constituting an issue in the total aggregate principal sum of \$ _____, issued pursuant to Ordinance No. 22-01 (the "Ordinance"), and under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 94, Public Acts of Michigan, 1933, as amended, for the purpose of paying the cost of refunding the Issuer's Water Supply and Sewage Disposal System Revenue Bond, Series 1996A, Water Supply and Sewage Disposal System Revenue Bond, Series 2002A and Water Supply and Sewage Disposal System Revenue Bond, Series 2002B.

For a complete statement of the revenues from which, and the conditions under which, this bond is payable, a statement of the conditions under which additional bonds of equal standing with this bond may hereafter be issued, and the general covenants and provisions pursuant to which this bond is issued, reference is made to the Ordinance.

Principal installments of the bond maturing prior to June 1, 2029 shall not be subject to optional redemption prior to maturity. Principal installments of the bond or portions of principal installments of the bond in multiples of \$1,000 maturing on June 1, 2030 and thereafter shall be subject to redemption prior to maturity, at the option of the Issuer, in any order of maturity and by lot within any maturity, on any date on or after June 1, 2029, at par and accrued interest to the date fixed for redemption.

In case less than the full amount of an outstanding bond is called for redemption, the Transfer Agent, upon presentation of the bond called for redemption, shall register, authenticate and deliver to the registered owner of record a new bond in the principal amount of the portion of the original bond not called for redemption.

Notice of redemption shall be given to the registered owner of any bond or portion thereof called for redemption by mailing of such notice not less than thirty (30) days prior to the date fixed for redemption to the registered address of the registered owner of record. A bond or portion thereof so called for redemption shall not bear interest after the date fixed for redemption, whether presented for redemption or not, provided funds are on hand with the Transfer Agent to redeem said bond or portion thereof.

This bond is a self-liquidating bond and is not a general obligation of the Issuer and does not constitute an indebtedness of the Issuer within any constitutional or statutory limitation, but is payable, both as to principal and interest, solely and only from the Net Revenues of the System. The principal of and interest on this bond are secured by the statutory lien hereinbefore mentioned. The Issuer has covenanted and agreed, and does hereby covenant and agree, to fix and maintain at all times while any bonds payable from the Net Revenues of the System shall be outstanding, such rates for service furnished by the System as shall be sufficient to provide for payment of the interest on and the principal of the bonds of this issue and any additional bonds of equal standing as and when the same shall become due and payable, and to create and maintain a bond

redemption fund (including a bond reserve account) therefor, to provide for the payment of expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the same in good repair and working order, and to provide for such other expenditures and funds for the System as are required by the Ordinance and Prior Ordinance.

This bond is transferable only upon the books of the Issuer kept for that purpose at the office of the Transfer Agent by the registered owner hereof in person, or by the registered owner's attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the Transfer Agent duly executed by the registered owner or the registered owner's attorney duly authorized in writing, and thereupon a new registered bond or bonds in the same aggregate principal amount and of the same maturity shall be issued to the transferee in exchange therefor as provided in the Ordinance and the Prior Ordinance authorizing the bonds, and upon the payment of the charges, if any, therein prescribed.

It is hereby certified and recited that all acts, conditions and things required by law to be done precedent to and in the issuance of this bond have been done and performed in regular and due time and form as required by law.

This bond is not valid or obligatory for any purpose until the Transfer Agent's Certificate of Authentication on this bond has been executed by the Transfer Agent.

IN WITNESS WHEREOF, the City of Pinconning, County of Bay, State of Michigan, by its City Council has caused this bond to be executed with the manual signatures of its Mayor and its City Clerk, and the corporate seal of the Issuer to be impressed hereon, all as of the Date of Original Issue.

CITY OF PINCONNING
COUNTY OF BAY
STATE OF MICHIGAN

By _____
Its Mayor

(Seal)

Countersigned:

By _____
Its City Clerk

[FORM OF TRANSFER AGENT'S CERTIFICATE OF AUTHENTICATION]

Certificate of Authentication

This bond is one of the bonds described in the within-mentioned Ordinance.

By _____
Authorized Signatory

Date of Registration: _____

EXHIBIT A

Section 10. No Free Service or Use. No free service or use of the System, or service or use of the System at less than the reasonable cost and value thereof, shall be furnished by the System to any person, firm or corporation, public or private, or to any public agency or instrumentality, including the Issuer.

Section 11. Fixing and Revising Rates; Rate Covenant. The rates now in effect are estimated to be sufficient to provide for the payment of the expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the System in good repair and working order, to provide for the payment of the principal of and interest on the Bonds as the same become due and payable, and the maintenance of the reserve therefor and to provide for all other obligations, expenditures and funds for the System required by law and this Ordinance. In addition, it is agreed that the rates shall be set from time to time so that there shall be produced each fiscal year, Net Revenues in an amount equal to 120% of the principal of and interest on the Bonds coming due in each fiscal year. The rates shall be fixed and revised from time to time as may be necessary to produce these amounts, and it is hereby covenanted and agreed to fix and maintain rates for services furnished by the System at all times sufficient to provide for the foregoing.

Section 12. Funds and Accounts; Flow of Funds. There is hereby established and/or created upon the books of the Authority and maintained a separate depository account or subaccount held by a bank or trust company designated WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM RECEIVING ACCOUNT (the "Receiving Account"). All Revenues of the System shall be set aside as collected and credited to the Receiving Account and the Revenues so deposited are pledged for the purpose of the following funds and shall be transferred from the Receiving Fund periodically in the manner and at the times hereinafter specified.

The City Treasurer is authorized to withdraw from the bond and interest redemption fund and the bond reserve account for the Refunded Bonds and transfer to the holder of the Refunded Bonds the amounts specified in writing by the City's financial advisor or its bond counsel in accordance with Section 14 herein. The Treasurer is hereby directed to create and maintain the following accounts, into which the proceeds of the Series 2022 Bond, the Revenues of the System and other amounts specified in this Section shall be deposited, transferred, expended and used in the manner and at the times provided in this Ordinance, which accounts shall be established and maintained, except as otherwise provided, so long as any of the Bonds hereby authorized remain unpaid.

(A) **Operation and Maintenance Account.** There shall next be established and/or created upon the books of the Authority and maintained a separate depository account or subaccount held by a bank or trust company designated OPERATION AND MAINTENANCE ACCOUNT (the "Operation and Maintenance Account"). Revenues in the Operation and Maintenance Account upon the date of the delivery of the Series 2022 Bond shall remain in said account. Revenues shall be transferred each quarter of the City's fiscal year commencing upon the effective date of this Ordinance, from the Receiving Account to the Operation and Maintenance Account to pay the reasonable and necessary current expenses of administration and operating and maintaining the System for the ensuing quarter.

(B) **Bond and Interest Redemption Account.** There is hereby established a separate account to be designated the BOND AND INTEREST REDEMPTION ACCOUNT (the "Bond and Interest Redemption Account"). There shall be deposited or credited to the Bond and Interest Redemption Account the proceeds of the Series 2022 Bond representing accrued interest, if any. After the transfer required in (A) above, Revenues shall be transferred each quarter of the City's Fiscal Year from the Receiving Account, before any other expenditures or transfers therefrom, and deposited in the Bond and Interest Redemption Account for payment of principal of and interest on the Bonds and to replenish the Bond Reserve Account. There shall be set aside on the first day of each quarter of the City's fiscal year an amount not less than 1/2 of the amount of

interest due on the next interest payment date on the Bonds. There shall be set aside on the first day of each quarter of the City's fiscal year an amount not less than ¼ of the amount of principal due on the next principal payment date on the Bonds. Except as provided in this Ordinance, no further deposits shall be made into the Bond and Interest Redemption Account (excluding the Bond Reserve Account) once the aforesaid sums have been deposited therein. Any amount on deposit in the Bond and Interest Redemption Account (excluding the Bond Reserve Account) in excess of (a) the amount needed for payment of principal installments of the Bonds for the then current principal payment period, plus (b) interest on the Bonds for the then current interest payment period, shall be used by the Issuer for redemption of principal installments of the Bonds in the manner set forth in this Ordinance, or if such use is impracticable, shall be deposited or credited to the Receiving Fund.

If for any reason there is a failure to make such quarterly deposit in the amounts required, then the entire amount of the deficiency shall be set aside and deposited in the Bond and Interest Redemption Account out of the Revenues first received thereafter which are not required by this Ordinance to be deposited in the Operation and Maintenance Account or in the Bond and Interest Redemption Account, which amount shall be in addition to the regular quarterly deposit required during such succeeding quarter or quarters.

There is hereby recognized in the Bond and Interest Redemption Account a separate account designated the BOND RESERVE ACCOUNT (the "Bond Reserve Account"). The Reserve Account shall be adjusted in such amounts, so that upon issuance of the Series 2022 Bond, the amounts on deposit in the Bond Reserve Account shall total a sum equal to the Reserve Amount. In the event that the amount in said Reserve Account is greater than the Reserve Amount, such excess amount shall be transferred to the Bond and Interest Redemption Fund described herein.

The moneys in the Bond Reserve Account shall be used solely for the payment of the principal installments of and interest on the Bonds as to which there would otherwise be default. If at any time it shall be necessary to use moneys in the Bond Reserve Account for such payment, then the moneys so used shall be replaced from the Revenues first received thereafter which are not required by this Ordinance to be used for operation and maintenance or for current principal and interest requirements for the Bonds. No further payments need be made into the Bond and Interest Redemption Account after enough of the principal of the Bonds have been retired so that the amount then held in the Bond and Interest Redemption Account (including the Bond Reserve Account) is equal to the entire amount of principal and interest which will be payable at the time of maturity of all the principal of the Bonds then remaining outstanding.

The moneys in the Bond and Interest Redemption Account and the Bond Reserve Account shall be invested in accordance with Section 13 of this Ordinance.

(C) Replacement and Improvements Account. There shall next be established and maintained an account designated REPLACEMENT AND IMPROVEMENTS ACCOUNT (the "Replacement Account"), the money credited thereto to be used solely for the purposes of making repairs and replacements to the System and for additions, improvements, enlargements and extensions of the System. Out of the Revenues and moneys of the System remaining in the Receiving Fund each quarter after provision has been made for the deposit of moneys in the Operation and Maintenance Account and the Bond and Interest Redemption Account, there may be deposited in the Replacement Account such additional funds as the City Council may deem advisable. If at any time it shall be necessary to use moneys in the Replacement Account for the purpose for which the Replacement Account was established, the moneys so used shall be replaced from any moneys in the Receiving Fund which are not required by this Ordinance to be used for the Operation and Maintenance Account or the Bond and Interest Redemption Account.

(D) Reverse Flow of Funds; Surplus Moneys. In the event the moneys in the Receiving Fund are insufficient to provide for the current requirements of the Operation and Maintenance Account or the Bond and Interest Redemption Account (including the Bond Reserve Account), any moneys and/or securities in the funds of the System described by this Ordinance shall be transferred, first, to the Operation and Maintenance Account, and second, to the Bond and Interest Redemption Account. Thereafter, any Revenues in the Receiving Account after satisfying all the foregoing requirements of this Section may, at the discretion of the Issuer, be (i) transferred to the Replacement Account or (ii) considered surplus and be disposed of by the City Council as provided by law.

Section 13. Investments. Monies in the funds and accounts established in the Outstanding Ordinances and this Ordinance may be invested by the City in accordance with the City's investment policy and Act 94, as the same may be amended from time to time. Profit realized or interest income earned on investment of funds in the Receiving Fund and the Operation and Maintenance Account shall be deposited in or credited to the Receiving Fund at the end of each fiscal year. Profit realized on interest income earned on investment of moneys in the Bond and Interest Redemption Account including income derived from the Bond Reserve Account shall be credited to the Receiving Fund at the end of each fiscal year except as otherwise required by Section 12 of this Ordinance.

Section 14. Bond Proceeds. The proceeds of the Series 2022 Bond shall be used to pay the costs of issuance of the Series 2022 Bond and to refund the Refunded Bonds. Upon receipt of the proceeds of sale of the Series 2022 Bond the accrued interest, if any, shall be deposited in the Bond and Interest Redemption Account. From the proceeds of the Series 2022 Bond there shall next be set aside a sum sufficient to pay the costs of issuance of the Series 2022 Bond in an account designated 2022 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE REFUNDING BOND ISSUANCE ACCOUNT (the "2022 Bond Issuance Account"). Monies in the 2022 Bond Issuance Account shall be used solely to pay expenses of issuance of the Series 2022 Bond. Any amounts remaining in the 2022 Bond Issuance Account after payment of issuance expenses shall be transferred to the Bond and Interest Redemption Account. The balance of the proceeds of the Series 2022 Bond together with any moneys transferred by the City at the time of sale of the Bonds from the Bond Reserve Account, Repair, Replacement and Improvement Account or the Bond and Interest Redemption Account for the Refunded Bonds and any other available funds of the City, shall be transferred directly to the holder of the Refunded Bonds and used to pay principal, interest and redemption premiums, if any, on the Refunded Bonds.

Section 15. Additional Bonds. The right is reserved, in accordance with the provisions of Act 94, to issue additional bonds payable from the Net Revenues of the System, which shall be of equal standing and priority of lien on the Net Revenues of the System with the Bonds, but only for the following purposes and under the following terms and conditions:

(a) For repairs, extensions, enlargements and improvements to the System or for the purpose of refunding a part of any outstanding Bonds and paying costs of issuing such Additional Bonds, including deposits that may be required to be made to a bond reserve account. Bonds for such purposes shall not be issued pursuant to this subparagraph (a) unless the actual or augmented Net Revenues (as defined in the Ordinances) of the System for the then last two (2) preceding twelve-month operating years or the Adjusted Net Revenues for the last preceding twelve-month operating year, if the same

shall be lower than the average, shall be equal to at least one hundred twenty (120%) percent of the maximum annual amount of principal and interest thereafter maturing in future operating years on the then outstanding Bonds and on the Additional Bonds then being issued. If Additional Bonds are to be issued in whole or in part for refunding outstanding Bonds the maximum annual principal and interest requirements shall be determined by deducting from the principal and interest requirements of any Bonds to be refunded from the proceeds of the Additional Bonds. For purposes of this subparagraph (a), the City may elect to use as the last preceding operating year any operating year ending not more than sixteen (16) months prior to the date of delivery of the additional bonds and as the next to the last preceding operating year, any operating year ending not more than twenty-eight (28) months prior to the date of delivery of the Additional Bonds. Determination by the City as to existence of conditions permitting the issuance of Additional Bonds shall be conclusive.

No Additional Bonds of equal standing as to the Net Revenues of the System shall be issued pursuant to the authorization contained in subparagraph (a) if the City shall then be in default in making its required payments to the Operation and Maintenance Fund or the Redemption Fund.

(b) For refunding outstanding Bonds and paying costs of issuing such Additional Bonds including deposits which may be required to be made to the Bond Reserve Account. No Additional Bonds shall be issued pursuant to this subsection unless the maximum amount of principal and interest maturing in any operating year after giving effect to the refunding shall be less than the maximum amount of principal and interest maturing in any operating year prior to giving effect to the refunding.

Section 16. Management; Fiscal Year. The operation, repair and management of the System shall continue to be under the supervision and control of the City. The City may employ such person or persons in such capacity or capacities as it deems advisable to carry on the efficient management and operation of the System. The City may make such rules and regulations as it deems advisable and necessary to assure the efficient management and operation of the System. The System shall be operated on the basis of an operating year which shall coincide with the Issuer's fiscal year.

Section 17. Negotiated Sale; Acceptance of Offer. The City has determined to proceed with the sale of the Series 2022 Bond by means of negotiated sale to the Purchaser because of the flexibility provided to effect the refunding of the Refunded Bonds. The offer of the Purchaser presented to the City to purchase the Bonds as shown in the bid attached hereto as Appendix A and made a part hereof, is hereby accepted and approved and the City Manager is authorized and directed to take such actions as are necessary or convenient to establish the final terms of the Bonds and effectuate the terms of the bid and the issuance of the Series 2022 Bond on behalf of the City in accordance with this Ordinance and within the parameters established by this Ordinance.

Section 18. Adjustment of Bond Terms. The City Manager is hereby authorized to adjust the final bond details as set forth herein to the extent necessary or convenient to complete the sale of the Series 2022 Bond and in pursuance of the foregoing is each authorized to exercise the authority and make the determinations pursuant to Sections 7a(1)(c) of Act 94, including but not limited to determinations regarding interest rates, prices, discounts, maturities, principal amounts, denominations, date of issuance, interest payment dates, redemption rights, the portion or portions of the Refunded Bonds to be refunded, and other matters within the parameters established by this Ordinance.

The Series 2022 Bond shall be issued in the final principal amount, shall mature and be subject to redemption at the times, in the manner and at the prices determined upon final sale of the Series 2022 Bond to the Purchaser as set forth in a Sale Order; provided, however, that the principal amount of the Series 2022 Bond shall not exceed \$1,885,000, the interest rate on the Series 2022 Bonds shall not exceed 4.150% per annum, and the net present value savings as a result of the issuance of the Series 2022 Bond shall not be less than 3.00%.

Section 19. Authorization of other Actions. The City Manager is authorized and directed to take all other actions necessary or advisable, and make such other filings with the Michigan Department of Treasury or with other parties, to enable the issuance, sale and delivery of the Series 2022 Bond as contemplated herein.

Section 20. Tax Covenant. The City hereby covenants that, to the extent permitted by law, it shall take all actions within its control necessary to maintain the exemption of the interest on the Series 2022 Bond from general federal income taxation (as opposed to alternative minimum or other indirect taxation) under the Internal Revenue Code of 1986, as amended (the "Code") including but not limited to, actions relating to the rebate of arbitrage earnings, if applicable, and the expenditure and investment of bond proceeds and moneys deemed to be bond proceeds, and to prevent the Series 2022 Bond from being or becoming "private activity bonds" as that term is used in Section 141 of the Code.

Section 21. Qualified Tax Exempt Obligation. The City designates the Series 2022 Bond as a "qualified tax-exempt obligation" for purposes of the deduction of interest expense by financial institutions.

Section 22. Retention of Bond Counsel. The City Council hereby retains Miller, Canfield, Paddock and Stone, P.L.C. as bond counsel with respect to the Series 2022 Bond.

Section 23. Municipal Advisor. AMKO Advisors, Fargo, North Dakota, is hereby retained as the registered municipal financial advisor in connection with the issuance of the Series 2022 Bond.

Section 24. Severability; Paragraph Headings; and Conflict. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance. The paragraph headings in this Ordinance are furnished for convenience of reference only and shall not be considered to be part of this Ordinance.

Section 25. Publication and Recordation. This Ordinance shall be published in full in The Pinconning Journal, a newspaper of general circulation in the City, qualified under State law to publish legal notices, promptly after its adoption, and shall be recorded in the Ordinance Book of the Issuer and such recording authenticated by the signatures of the Mayor and City Clerk.

Section 26. Effective Date. Pursuant to the provisions of Section 6 of Act 94, this Ordinance shall be approved on the date of first reading and accordingly this Ordinance shall immediately be effective upon its adoption.

Passed and adopted by the City of Pinconning, County of Bay, State of Michigan, on July 18, 2022.

Mayor

(Seal)

Attest:



City Clerk

I hereby certify that the foregoing constitutes a true and complete copy of an Ordinance duly adopted by the City Council of the City of Pinconning, County of Bay, State of Michigan, at a regular meeting held on the 18th day of July, 2022, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.

I further certify that the following Members were present at said meeting: _____

_____ and that the following Members were absent: _____

I further certify that Member _____ moved adoption of said Ordinance, and that said motion was supported by Member _____.

I further certify that the following Members voted for adoption of said Ordinance: _____

_____ and that the following Members voted against adoption of said Ordinance: _____

I further certify that said Ordinance has been recorded in the Ordinance Book and that such recording has been authenticated by the signatures of the Mayor and the City Clerk.

City Clerk

June 29, 2022

Rebecca Lakin – City Manager
City of Pinconning
C/O AMKO Advisors

RE: City of Pinconning, Bay County, Michigan – Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2022

Ms. Lakin:

Pursuant to the information contained in the Preliminary Term Sheet regarding the City of Pinconning, Bay County, Michigan – Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2022 ("Bonds"), in the amount not to exceed \$1,885,000, Huron Community Bank is pleased to submit our unconditional and firm bid of 4.150% (tax-exempt interest rate).

The bid assumes: "Bonds" will be issued as a Bank Qualified Tax-Exempt Obligation; "Bonds" will be issued with annual principal payments due on June 1st, beginning June 1, 2023 and semi-annual interest payments due on June 1st and December 1st, beginning December 1, 2022, with interest calculated on a 30 day month, 360 day year; "Bonds" maturing June 1, 2023 through June 1, 2029 will not be subject to optional prepayment, in whole or in part, prior to maturity; "Bonds" maturing on June 1, 2030 and thereafter, shall be subject to early redemption, on any date, on or after June 1, 2029; final maturity to be June 1, 2037; date of close to be no later than July 29, 2022; Paying Agent to be AMKO Bond Services, LLC, Fargo, North Dakota; and legal/bond counsel of City of Pinconning, Michigan will draft and complete all closing documents.

Thank you for including us in your bid solicitation.

Regards,

David Gottleber
VP – Chief Financial Officer



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Au Gres * Harrisville * West Branch

