

CITY OF PINCONNING, COUNTY OF BAY
ORDINANCE #415

AN ORDINANCE TO PROVIDE FOR THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM OF THE CITY OF PINCONNING; TO PROVIDE FOR THE ISSUANCE AND SALE OF JUNIOR LIEN REVENUE BONDS TO PAY THE COST THEREOF; 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 FOR SECURITY 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. Whenever used in this Ordinance, except when otherwise indicated by the context, the following terms shall have the following meanings:

- (a) “Act 94” means Act 94, Public Acts of Michigan, 1933, as amended.
- (b) “Authority” means the Michigan Finance Authority.
- (c) “Authorized Officers” means the Mayor, City Manager, City Clerk, and Treasurer of the Issuer.
- (d) “Bonds” or “Senior Lien Bonds” means any Bonds or series of Bonds so designated and payable from Net Revenues, which are secured by a statutory first lien on the Net Revenues established by the Prior Ordinance and which are senior and superior in all respects with respect to the Net Revenues to any Junior Lien Bonds secured by the statutory second lien established by this Ordinance, together with any additional Bonds of equal standing thereafter issued.
- (e) “EGLE” means the Michigan Department of Environment, Great Lakes and Energy.
- (f) “Engineers” means Fleis &Vandenbrink of Midland, Michigan
- (g) “Issuer” means the City of Pinconning, County of Bay, State of Michigan.
- (h) “Junior Lien Bonds” means any bonds or series of bonds (including the Series 2026 Bonds) payable from Net Revenues, after satisfaction of any requirements for funding the Redemption Account, and which are secured by a statutory second lien on the Net Revenues and are junior and subordinate in all respects with respect to the Net Revenues to any Outstanding Senior Lien Bonds and any Bonds hereafter issued secured by the statutory first lien established by the Prior Ordinance.
- (i) “Outstanding Senior Lien Bonds” means the Series 2022 Bonds and any additional bonds issued that are senior in standing and priority of lien with the Junior Lien Bonds.
- (j) “Prior Ordinance” means Ordinance No. 22-01 adopted by the City Council authorizing the issuance of the Outstanding Senior Lien Bonds.
- (k) “Project” means the acquisition, construction, furnishing and equipping of improvements to the City’s water supply and sewage disposal system, including removal, rehabilitation, replacement, improvement, and looping of water mains, fire hydrants, valves, and lead service lines; meter hookup; flushing and testing; together with all necessary interests in land and all related sites, structures, equipment, appurtenances and attachments thereto.
- (l) “Purchase Contract” means the Purchase Contract to be entered into between the Authority and the Issuer relating to the purchase by the Authority of the Series 2026 Bonds.
- (m) “Revenues” and “Net Revenues” means the revenues and net revenues 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 the Prior Ordinance and this Ordinance.
- (n) “Series 2022 Bonds” means the Issuer’s Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2022, dated July 29, 2022, in the original principal amount of \$1,863,000.
- (o) “Series 2026 Bonds” means the Issuer’s Water Supply and Sewage Disposal System Junior Lien Revenue Bonds, Series 2026, with such other designations as determined by an Authorized Officer, to be issued in one or more series in the principal amount of not to exceed \$2,000,000 pursuant to this Ordinance.
- (p) “Sufficient Government Obligations” means direct obligations of the United States of America or obligations the principal and interest on which is fully guaranteed by the United States of America, not redeemable at the option of the issuer, the principal and interest payments upon which without reinvestment of the interest, come due at such times and in such amounts as to be fully sufficient to pay the interest as it comes due on the Bonds or Junior Lien Bonds and the principal and redemption premium, if any, on the Bonds or Junior Lien Bonds as it comes due whether on the stated maturity date or upon earlier redemption. Securities representing such obligations shall be placed in trust with a bank or trust company, and if any of the Bonds or Junior Lien Bonds are to be called for redemption prior to maturity, irrevocable instructions to call the Bonds for redemption shall be given to the paying agent.
- (q) “Supplemental Agreement” means the supplemental agreement among the Issuer, the Authority and EGLE relating to the Series 2026 Bonds.
- (r) “System” means the entire Water Supply and Sewage Disposal System of the Issuer, including the Project and all additions, extensions and improvements hereafter acquired.

Section 2. Necessity; Approval of Plans and Specifications. It is hereby determined to be a necessary public purpose of the Issuer to acquire and construct the Project in accordance with the plans and specifications prepared by the Engineers, which plans and specifications are hereby approved. The Project qualifies for the Drinking Water State Revolving Fund financing program being administered by EGLE and the Authority, whereby bonds of the Issuer are sold to the Authority and bear interest at a fixed rate of two percent (2.00%) per annum.

Section 3. Costs; Useful Life. The cost of the Project is estimated to be Two Million Dollars (\$2,000,000), including the payment of incidental expenses as specified in Section 4 of this Ordinance, which estimate of cost is hereby approved and confirmed, and the period of usefulness of the Project is estimated to be not less than thirty-five (35) years.

Section 4. Payment of Cost; Bonds Authorized. To pay the cost of acquiring and constructing the Project, legal, engineering, financial and other expenses incident thereto and incident to the issuance and sale of the Series 2026 Bonds, the Issuer shall borrow the sum of not to exceed Two Million Dollars (\$2,000,000), or such lesser amount as shall have been advanced to the Issuer pursuant to the Purchase Contract and the Supplemental Agreement, and issue the Series 2026 Bonds pursuant to the provisions of Act 94. The remaining cost of the Project, if any, shall be defrayed from Issuer funds on hand and legally available for such use.

Except as amended by or expressly provided to the contrary in this Ordinance, all of the provisions of the Prior Ordinance shall apply to the Series 2026 Bonds issued pursuant to this Ordinance, the same as though each of said provisions were repeated in this Ordinance in detail; the purpose of this Ordinance being to authorize the issuance of

revenue bonds of subordinate lien with respect to the Outstanding Senior Lien Bonds to finance the cost of acquiring and constructing additions, extensions and improvements to the System, additional bonds of subordinate standing with the Outstanding Senior Lien Bonds for such purpose being authorized by the provisions of the Prior Ordinance, upon the conditions therein stated, which conditions have been fully met.

Section 5. Issuance of Series 2026 Bonds; Details. The Series 2026 Bonds of the Issuer, to be designated **WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BONDS, SERIES 2026**, with such additional or other designations as determined by an Authorized Officer, are authorized to be issued in one or more series in the aggregate principal sum of not to exceed Two Million Dollars (\$2,000,000) as finally determined by order of EGLE for the purpose of paying part of the cost of the Project, including the costs incidental to the issuance, sale and delivery of the Series 2026 Bonds. The Series 2026 Bonds shall be payable primarily out of the Net Revenues, as set forth more fully in Section 8 hereof, provided that the Series 2026 Bonds shall be subordinate to the prior lien with respect to the Net Revenues in favor of the Outstanding Senior Lien Bonds and of any Bonds hereafter issued. Each series of the Series 2026 Bonds shall be in the form of a single fully-registered, nonconvertible bond of the denomination of the full principal amount thereof, dated as of the date of delivery, payable in principal installments as finally determined by the order of EGLE at the time of sale of the Series 2026 Bonds and approved by the Authority and an Authorized Officer. Principal installments of each series of the Series 2026 Bonds shall be payable on October 1 of the years 2028 to 2065, inclusive, or such other payment dates as otherwise determined by an Authorized Officer. Interest on each series of the Series 2026 Bonds shall be payable on April 1 and October 1 of each year, commencing April 1, 2027 or on such other interest payment dates as hereinafter provided. Final determination of the principal amount of and interest on each series of the Series 2026 Bonds and the payment dates and amounts of principal installments of each series of the Series 2026 Bonds shall be evidenced by execution of one or more Purchase Contracts and each of the Authorized Officers is authorized and directed to execute and deliver such Purchase Contracts when in final form and to make the determinations and within the limitations set forth herein.

Each series of the Series 2026 Bonds shall bear interest at a rate of two percent (2.00%) per annum on the par value thereof or such other rate as evidenced by execution of the Purchase Contracts, but in any event not to exceed the rate permitted by law, and any Authorized Officers as shall be appropriate shall deliver each series of the Series 2026 Bonds in accordance with the delivery instructions of the Authority.

The principal amount of each series of the Series 2026 Bonds is expected to be drawn down by the Issuer periodically, and interest on principal amount shall accrue from the date such principal amount is drawn down by the Issuer.

The Series 2026 Bonds shall not be convertible or exchangeable into more than one fully-registered bond per series. Principal of and interest on the Series 2026 Bonds shall be payable as provided in the Series 2026 Bond form in this Ordinance.

The Series 2026 Bonds shall be subject to optional redemption by the Issuer with the prior written approval of the Authority and on such terms as may be required by the Authority.

The Treasurer of the Issuer shall record on the registration books payment by the Issuer of each installment of principal or interest or both when made and the cancelled checks or other records evidencing such payments shall be returned to and retained by the Treasurer.

Upon payment by the Issuer of all outstanding principal of and interest on the Series 2026 Bonds, the Authority shall deliver the Series 2026 Bonds to the Issuer for cancellation.

Section 6. Execution of Series 2026 Bonds. The Series 2026 Bonds shall be signed by the manual or facsimile signature of the Mayor and countersigned by the manual or facsimile signature of the Clerk and shall have the corporate seal of the Issuer or a facsimile thereof impressed thereon. The Series 2026 Bonds bearing the manual or facsimile signatures of the Mayor and the Clerk or the Treasurer sold to the Authority shall require no further authentication.

Section 7. Registration and Transfer. Any Bond or Junior Lien Bond may be transferred upon the books required to be kept pursuant to this section by the person in whose name it is registered, in person or by the registered owner’s duly authorized attorney, upon surrender of the Bond or Junior Lien Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the transfer agent. Whenever any Bond or Junior Lien Bond shall be surrendered for transfer, the Issuer shall execute and the transfer agent shall authenticate and deliver a new Bond or Junior Lien Bond, for like aggregate principal amount. The transfer agent shall require 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 or Junior Lien Bond during a period beginning at the opening of business 15 days before the day of the giving of a notice of redemption of Bonds selected for redemption as described in the form of Series 2026 Bonds contained in Section 13 of this Ordinance and ending at the close of business on the day of that giving of notice, or (ii) to register the transfer of or exchange any Bond or Junior Lien Bond so selected for redemption in whole or in part, except the unredeemed portion of Bonds or Junior Lien Bonds being redeemed in part. The Issuer shall give the transfer agent notice of call for redemption at least 20 days prior to the date notice of redemption is to be given.

The transfer agent shall keep or cause to be kept at its principal office sufficient books for the registration and transfer of the Bonds or Junior Lien 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 or Junior Lien Bonds as hereinbefore provided.

If any Bond or Junior Lien Bond shall become mutilated, the Issuer, at the expense of the holder of the Bond or Junior Lien Bond, shall execute, and the transfer agent shall authenticate and deliver, a new Bond or Junior Lien Bond of like tenor in exchange and substitution for the mutilated Bond or Junior Lien Bond, upon surrender to the transfer agent of the mutilated Bond or Junior Lien Bond. If any Bond or Junior Lien 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 or Junior Lien 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 or Junior Lien Bond so lost, destroyed or stolen. If any such Bond or Junior Lien Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond or Junior Lien Bond the transfer agent may pay the same without surrender thereof.

Section 8. Payment of Series 2026 Bonds; Security; Priority of Lien. Principal of and interest on the Series 2026 Bonds shall be payable primarily from the Net Revenues. There is hereby recognized the statutory lien upon the whole of the Net Revenues created by this Ordinance which shall be a lien that is junior and subordinate to the lien of the Outstanding Senior Lien Bonds created by the Prior Ordinance and to any Bonds hereafter issued, to 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 Junior Lien Bonds, including the Series 2026 Bonds, then outstanding, principal and interest, 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 for the Series 2026 Bonds the statutory lien shall be terminated with respect to the Series 2026 Bonds, the holders of the Series 2026 Bonds shall have no further rights under this Ordinance except for payment from the deposited funds, and the Series 2026

Bonds shall no longer be considered to be outstanding under this Ordinance.

As additional security for repayment of the Series 2026 Bonds, the City hereby pledges the taxes collected by the State of Michigan and returned to the Issuer pursuant to Act 140, Public Acts of Michigan, 1971, as amended, to the Authority as purchaser and holder of the Series 2026 Bonds, and the City hereby authorizes the Authorized Officers to approve, execute and deliver a Revenue Sharing Pledge Agreement between the City and the Authority, authorizing the State Treasurer to transmit the revenue sharing moneys assigned and pledged therein directly to the Authority or its designee if payments on the Series 2026 Bonds are not made in accordance with this Ordinance. The City shall be reimbursed for any such advance from the Net Revenues of the System subsequently received which are not otherwise pledged or encumbered by this Ordinance or the Prior Ordinance.

Section 9. Management; Fiscal Year. The operation, repair and management of the System and the acquiring and constructing of the Project shall continue to be under the supervision and control of the Issuer. The Issuer 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 Issuer 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 10. Rates and Charges; No Free Service. The rates and charges for service furnished by the System and the methods of collection and enforcement of the collection of the rates shall be those in effect on the date of adoption of this Ordinance and 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 reserves, if any, therefore; and to provide for all other obligations, expenditures and funds for the System required by law, the Prior Ordinance and this Ordinance. No free service or use of the System, or service or use of the System at less than cost, 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. Funds and Accounts; Flow of Funds; Junior Lien Bond and Interest Redemption Fund. All funds belonging to the System and all Revenues of the System shall continue to be set aside as collected and credited to the Receiving Fund established by the Prior Ordinance (the “Receiving Fund”), except as provided in this Ordinance. The Revenues credited to the Receiving Fund are pledged for the purposes of the funds and accounts established by the Prior Ordinance and this Ordinance and shall be transferred or debited from the Receiving Fund periodically in the manner and at the times and in the order of priority specified in the Prior Ordinance and this Ordinance.

Funding Existing Funds and Accounts. Out of the Revenues in the Receiving Fund there shall be transferred and debited the amounts required by the Prior Ordinance to be deposited into the existing Operation and Maintenance Fund and the existing Bond and Interest Redemption Fund (including Bond Reserve Account) created pursuant to the Prior Ordinance.

Junior Lien Bond and Interest Redemption Fund. There is hereby established and there shall be maintained a separate depository account designated JUNIOR LIEN BOND AND INTEREST REDEMPTION FUND (the “Junior Lien Redemption Fund”). Except as otherwise provided herein, the moneys on deposit therein from time to time shall be used for the purpose of paying the principal of and interest on any Junior Lien Bonds.

Out of the Revenues remaining in the Receiving Fund, after transfer, if required, for deposit into the Operation and Maintenance Fund and the Bond and Interest Redemption Fund for any Senior Lien Bonds, there shall be set aside monthly in the Junior Lien Redemption Fund a sum sufficient to provide for the next payment when due of the principal of and interest on the Junior Lien Bonds, less any amount in the Junior Lien Redemption Fund representing accrued interest on the Junior Lien Bonds, and less the sum of any funds actually on deposit in the Junior Lien Redemption Fund. The amount set aside and transferred to the Junior Lien Redemption Fund each month for interest on the Junior Lien Bonds shall be 1/6 of the total amount of interest on the Junior Lien Bonds next coming due or such greater or lesser amount as is necessary to assure that the amount set aside in the Junior Lien Redemption Fund as of the first of such month is not less than the product of (a) 1/6 of the amount of interest next due on the Junior Lien Bonds times (b) the number of months elapsed since and including the last interest payment date. For the month immediately prior to each interest payment date the amount set aside and transferred to the Junior Lien Redemption Fund to pay interest shall be reduced by amounts, including investment earnings, available in the Junior Lien Redemption Fund which are available for such purpose. The amount set aside and transferred to the Junior Lien Redemption Fund each month for principal commencing twelve months prior to the first maturity or mandatory sinking fund redemption date shall be 1/12 of the amount of principal next coming due on the Junior Lien Bonds by maturity or as a mandatory redemption requirement or such greater or lesser amount as is necessary to assure that the amount set aside in the Junior Lien Redemption Fund as of the first of such month is not less than the product of 1/12 of the amount of principal next due on the Junior Lien Bonds times (b) the number of months elapsed since and including the last principal payment date. If there is any deficiency in the amount previously set aside, that deficiency shall be added to the next succeeding month’s requirement.

No further payments need be made into the Junior Lien Redemption Fund after enough of the principal installments of the Junior Lien Bonds have been retired so that the amount then held in the Junior Lien Redemption Fund (including a bond reserve account, if any), is equal to the entire amount of principal and interest which will be payable at the time of maturity of all the principal installments of the Bond then remaining outstanding.

If required by the purchaser of any series of Series 2026 Bonds, the Issuer may establish a separate account in the Junior Lien Redemption Fund to be known as the JUNIOR LIEN BOND RESERVE ACCOUNT (the “Junior Lien Bond Reserve Account”). The amount to be deposited into the Junior Lien Bond Reserve Account (the “Junior Lien Reserve Amount”) shall be determined by an Authorized Officer at the time of sale of the Series 2026 Bonds. The Issuer may fund the Junior Lien Reserve Amount over a period of up to ten (10) years by cash or bond proceeds, or by a surety bond, insurance policy or a letter of credit if the provider or issuer thereof shall be rated by a nationally recognized bond rating agency as high or higher than the Series 2026 Bonds.

Section 12. Bond Proceeds. The proceeds of the sale of each series of the Series 2026 Bonds as received by the Issuer shall be deposited in one or more separate accounts in a bank or banks qualified to act as depository of the proceeds of sale under the provisions of Section 15 of Act 94 designated 2026 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BONDS CONSTRUCTION FUND (the “Construction Fund”). Moneys in the Construction Fund shall be applied solely in payment of the cost of the Project and any engineering, legal and other expenses incident thereto and to the financing thereof.

Section 13. Bond Form. The Series 2026 Bonds shall be in substantially the following form with such changes or completion as necessary or appropriate to give effect to the intent of this Ordinance and subject to such modifications which may be required by the Michigan Attorney General and the Authority and approved by bond counsel:

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF BAY

CITY OF PINCONNING

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM JUNIOR
LIEN REVENUE BOND, SERIES 2026

REGISTERED OWNER: Michigan Finance Authority

PRINCIPAL AMOUNT: _____ Dollars (\$ ___,000)

DATE OF ORIGINAL ISSUE: _____, 2026

The CITY OF PINCONNING, County of Bay, State of Michigan (the “Issuer”), acknowledges itself to owe and for value received hereby promises to pay, primarily out of the hereinafter described Net Revenues of the Issuer’s Water Supply and Sewage Disposal System (hereinafter defined), to the Michigan Finance Authority (the “Authority”), or registered assigns, the Principal Amount shown above, or such portion thereof as shall have been advanced to the Issuer pursuant to a Purchase Contract between the Issuer and the Authority and a Supplemental Agreement by and among the Issuer, the Authority and the State of Michigan acting through the Department of Environment, Great Lakes and Energy, in lawful money of the United States of America, unless prepaid or reduced prior thereto as hereinafter provided.

During the time the Principal Amount is being drawn down by the Issuer under this bond, the Authority will periodically provide to the Issuer a statement showing the amount of principal that has been advanced and the date of each advance, which statement shall constitute prima facie evidence of the reported information; provided that no failure on the part of the Authority to provide such a statement or to reflect a disbursement or the correct amount of a disbursement shall relieve the Issuer of its obligation to repay the outstanding Principal Amount actually advanced (subject to any principal forgiveness as provided in Schedule A), all accrued interest thereon, and any other amount payable with respect thereto in accordance with the terms of this bond.

The Principal Amount shall be payable on the dates and in the annual principal installment amounts set forth on the Schedule attached hereto and made a part hereof, as such Schedule may be adjusted if less than \$ _____ is disbursed to the Issuer or if a portion of the Principal Amount is prepaid or reduced as provided below, with interest on said principal installments from the date each said installment is delivered to the holder hereof until paid at the rate of two percent (2.00%) per annum. Interest is first payable on April 1, 2027, and semiannually thereafter on the first day of April and October of each year, as set forth in the Purchase Contract.

Notwithstanding any other provision of this Bond, so long as the Authority is the owner of this Bond, (a) this Bond is payable as to principal, premium, if any, and interest at U.S. Bank Trust Company, National Association, or at such other place as shall be designated in writing to the Issuer by the Authority (the “Authority’s Depository”); (b) the Issuer agrees that it will deposit with the Authority’s Depository payments of the principal of, premium, if any, and interest on this Bond in immediately available funds by 12:00 noon at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise; in the event that the Authority’s Depository has not received the Issuer’s deposit by 12:00 noon on the scheduled day, the Issuer shall immediately pay to the Authority as invoiced by the Authority an amount to recover the Authority’s administrative costs and lost investment earnings attributable to that late payment; and (c) written notice of any redemption of this Bond shall be given by the Issuer and received by the Authority’s Depository at least 40 days prior to the date on which such redemption is to be made.

Additional Interest

In the event of a default in the payment of principal or interest hereon when due, whether at maturity, by redemption or otherwise, the amount of such default shall bear interest (the “additional interest”) at a rate equal to the rate of interest which is two percent above the Authority’s cost of providing funds (as determined by the Authority) to make payment on the bonds of the Authority issued to provide funds to purchase this bond but in no event in excess of the maximum rate of interest permitted by law. The additional interest shall continue to accrue until the Authority has been fully reimbursed for all costs incurred by the Authority (as determined by the Authority) as a consequence of the Issuer’s default. Such additional interest shall be payable on the interest payment date following demand of the Authority. In the event that (for reasons other than the default in the payment of any municipal obligation purchased by the Authority) the investment of amounts in the reserve account established by the Authority for the bonds of the Authority issued to provide funds to purchase this bond fails to provide sufficient available funds (together with any other funds which may be made available for such purpose) to pay the interest on outstanding bonds of the Authority issued to fund such account, the Issuer shall and hereby agrees to pay on demand only the Issuer’s pro rata share (as determined by the Authority) of such deficiency as additional interest on this bond.

For prompt payment of principal and interest on this bond, the Issuer has irrevocably pledged the revenues of the Water Supply and Sewage Disposal System of the Issuer, including all appurtenances, extensions and improvements thereto (the “System”), after provision has been made for reasonable and necessary expenses of operation, maintenance and administration (the “Net Revenues”), and a statutory junior lien thereon is hereby recognized and created. This bond is of junior standing and priority of lien as to the Net Revenues to the Issuer’s Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2022 (the “Outstanding Senior Lien Bonds”). The Issuer has reserved the right to issue additional bonds of equal standing and priority of lien as to the Net Revenues as this bond on such terms as described in the Ordinances.

This bond is a single, fully-registered, non-convertible bond in the principal sum indicated above issued pursuant to Ordinance Nos. 22-01 and ___ duly adopted by the City Council (the “Ordinances”), 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 part of the cost of acquiring and constructing additions, extensions and improvements to the System of the Issuer.

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 superior and equal standing may hereafter be issued and the general covenants and provisions pursuant to which this bond is issued, reference is made to the Ordinances.

This bond is a self-liquidating bond, payable, both as to principal and interest, primarily from the Net Revenues of the System. The principal of and interest on this bond are secured by the statutory second lien hereinbefore mentioned. As additional security, the Issuer has pledged certain taxes collected by the State of Michigan and returned to the Issuer pursuant to a revenue sharing pledge agreement as further described in the Ordinances.

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 upon and the principal of this bond, the Outstanding Senior Lien Bonds, and any additional bonds of equal or superior standing to this bond payable from the Net Revenues of the System as and when the same shall become due and payable, and to maintain a bond redemption fund (including, except for bonds of this issue and any Junior Lien Bonds, 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 Ordinances.

Principal installments of this bond are subject to prepayment by the Issuer prior to maturity only with the prior written consent of the Authority and on such terms as may be required by the Authority.

This bond is transferable only upon the books of the Issuer by the registered owner in person or 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 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 Ordinances, and upon 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.

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 or facsimile sig-

natures of its Mayor and its City Clerk, and the corporate seal of the City to be impressed or imprinted hereon, all as of the Date of Original Issue.

CITY OF PINCONNING

By _____
Its Mayor

(Seal)
Countersigned:

By _____
Its City Clerk

EGLE Project No.:
EGLE Approved Amt: \$ _____
Loan Amount Forgiven: \$ _____
Loan Amount to be Repaid: \$ _____

SCHEDULE A

Based on the schedule provided below unless revised as provided in this paragraph, repayment of the principal of the bond shall be made until the full amount advanced to the Issuer is repaid. In the event the Order of Approval issued by the Department of Environment, Great Lakes and Energy (the “Order”) approves a principal amount of assistance less than the amount of the bond delivered to the Authority, the Authority shall only disburse principal up to the amount stated in the Order. In the event (1) that the payment schedule approved by the Issuer and described below provides for payment of a total principal amount greater than the amount of assistance approved by the Order (2) that less than the principal amount of assistance approved by the Order is disbursed to the Issuer by the Authority, the Authority shall prepare a new payment schedule which shall be effective upon receipt by the Issuer, or (3) that any portion of the principal amount of assistance approved by the Order and disbursed to the Issuer is forgiven pursuant to the Order, the Authority shall prepare a new payment schedule which shall be effective upon receipt by the Issuer.

Maturity Date <u>October 1,</u>	<u>Principal Amount</u>	Maturity Date <u>October 1,</u>	<u>Principal Amount</u>
2028	\$26,250	2047	\$45,000
2029	30,000	2048	45,000
2030	30,000	2049	45,000
2031	30,000	2050	45,000
2032	30,000	2051	45,000
2033	30,000	2052	45,000
2034	35,000	2053	50,000
2035	35,000	2054	50,000
2036	35,000	2055	50,000
2037	35,000	2056	50,000
2038	35,000	2057	50,000
2039	35,000	2058	55,000
2040	35,000	2059	55,000
2041	40,000	2060	55,000
2042	40,000	2061	55,000
2043	40,000	2062	55,000
2044	40,000	2063	60,000
2045	40,000	2064	60,000
2046	40,000	2065	60,000

Interest on the bond shall accrue on that portion of principal disbursed by the Authority to the Issuer which has not been forgiven pursuant to the Order from the date such portion is disbursed, until paid, at the rate of 2.00% per annum, payable April 1, 2027 and semi annually hereafter.

The Issuer agrees that it will deposit with the Authority’s Depository, or such other place as shall be designated in writing to the Issuer by the Authority payments of the principal of, premium, if any, and interest on this bond in immediately available funds by 12:00 noon at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise. In the event that the Authority’s Depository has not received the Issuer’s deposit by 12:00 noon on the scheduled day, the Issuer shall immediately pay to the Authority as invoiced by the Authority an amount to recover the Authority’s administrative costs and lost investment earnings attributable to that late payment.

[END OF BOND FORM]

Section 14. Bondholders’ Rights; Receiver. The holder or holders of the Bonds and Junior Lien 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 upon the Bonds or the Junior Lien 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 and the Junior Lien Bonds shall have all other rights and remedies given by Act 94 and law, for the payment and enforcement of the Bonds and the Junior Lien Bonds and the security therefor.

Section 15. Additional Bonds. The Issuer may issue additional bonds of equal standing with the Junior Lien Bonds for the following purposes and subject to the following conditions:

(a) To complete the Project in accordance with the plans and specifications therefor. Such bonds shall not be authorized unless the engineers in charge of construction shall

execute a certificate evidencing the fact that additional funds are needed to complete the Project in accordance with the plans and specifications therefor and stating the amount that will be required to complete the Project. If such certificate shall be so executed and filed with the Issuer, it shall be the duty of the Issuer to provide for and issue additional revenue bonds in the amount stated in said certificate to be necessary to complete the Project in accordance with the plans and specifications plus an amount necessary to issue such bonds or to provide for part or all of such amount from other sources.

(b) For subsequent repairs, extensions, enlargements and improvements to the System or for the purpose of refunding part or all of the Junior Lien Bonds then outstanding and paying costs of issuing such additional Junior Lien Bonds. Junior Lien Bonds for such purposes shall not be issued pursuant to this subparagraph (b) unless the Adjusted Net Revenues 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 percent (100%) of the maximum amount of principal and interest thereafter maturing in any operating year on the then outstanding Senior Lien Bonds, Junior Lien Bonds and on the additional Bonds then being issued. If the additional Junior Lien Bonds are to be issued in whole or in part for refunding outstanding Junior Lien Bonds, the annual principal and interest requirements shall be determined by deducting from the principal and interest requirements for each operating year the annual principal and interest requirements of any Junior Lien Bonds to be refunded from the proceeds of the additional Junior Lien Bonds. For purposes of this subparagraph (b) the Issuer may elect to use as the last preceding operating year any operating year ending not more than sixteen months prior to the date of delivery of the additional Junior Lien Bonds and as the next to the last preceding operating year, any operating year ending not more than twenty-eight months prior to the date of delivery of the additional Junior Lien Bonds. Determination by the Issuer as to existence of conditions permitting the issuance of additional Junior Lien Bonds shall be conclusive. No additional Junior Lien Bonds of equal standing as to the Net Revenues of the System shall be issued pursuant to the authorization contained in this subparagraph if the Issuer shall then be in default in making its required payments to the Operation and Maintenance Fund or the Redemption Fund.

Section 16. Negotiated Sale; Application to EGLE and Authority; Execution of Documents. The Issuer determines that it is in the best interest of the Issuer to negotiate the sale of the Series 2026 Bonds to the Authority because the Drinking Water State Revolving Fund financing program provides significant interest savings to the Issuer compared to competitive sale in the municipal bond market. The Authorized Officers are hereby authorized to make application to the Authority and to EGLE for placement of the Series 2026 Bonds with the Authority. The actions taken by the Authorized Officers with respect to the Series 2026 Bonds prior to the adoption of this Ordinance are ratified and confirmed. The Authorized Officers are each authorized to execute and deliver the Purchase Contract, the Supplemental Agreement, the Issuer’s Certificate, and the Revenue Sharing Pledge Agreement. Any Authorized Officer is further authorized to execute and deliver such contracts, documents and certificates as are necessary or advisable to qualify the Series 2026 Bonds for the Drinking Water State Revolving Fund. Prior to the delivery of the Series 2026 Bonds to the Authority, any Authorized Officer is hereby authorized to make such changes to the form of the Series 2026 Bonds contained in Section 13 of this Ordinance as may be necessary to conform to the requirements of Act 227, Public Acts of Michigan 1985, as amended (“Act 227”), including, but not limited to changes in the principal maturity and interest payment dates and references to additional security required by Act 227.

Section 17. Covenant Regarding Tax Exempt Status of the Bonds. The Issuer shall, to the extent permitted by law, take all actions within its control necessary to maintain the exemption of the interest on the Series 2026 Bonds from general federal income taxation (as opposed to any 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 any required rebate of arbitrage earnings and the expenditure and investment of Series 2026 Bonds proceeds and moneys deemed to be Bond proceeds.

Section 18. Approval of Bond Counsel. The representation of the Issuer by Miller, Canfield, Paddock and Stone, P.L.C. (“Miller Canfield”), as bond counsel is hereby approved, notwithstanding the representation by Miller Canfield of the Authority in connection with the Drinking Water State Revolving Fund program which may include advising the Authority with respect to this borrowing. The fees of Miller Canfield shall be paid from proceeds from the sale of the Series 2026 Bonds or such other funds of the Issuer lawfully available therefor.

Section 19. Approval of Bond Details; Authorization of Other Actions. The Authorized Officers are each hereby authorized to adjust the final bond details set forth herein to the extent necessary or convenient to complete the transaction authorized herein, and in pursuance of the foregoing are authorized to exercise the authority and make the determinations authorized pursuant to Section 7a(1)(c) of Act 94, including but not limited to determinations regarding interest rates, prices, discounts, maturities, principal amounts, denominations, dates of issuance, interest payment dates, redemption rights, the place of delivery and payment, and other matters, subject to the parameters established herein.

The Authorized Officers are each hereby authorized and directed to take all other actions necessary or advisable to enable the sale and delivery of the Series 2026 Bonds as contemplated herein, including applying for and paying the related fees for ratings and making such other filings with and paying related fees to any parties, including filing an application with the Michigan Department of Treasury for an Order or Orders of Approval to issue all or a portion of the Series 2026 Bonds under Act 34, and an application for exemption of the investment grade rating requirement.

Section 20. Savings Clause. All ordinances, resolutions or orders, or part thereof, in conflict with the provisions of this Ordinance are, to the extent of such conflict, repealed.

Section 21. 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 22. Publication and Recordation. This Ordinance shall be published in full in *The Pinconning Journal*, a newspaper of general circulation in the Issuer 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 record authenticated by the signatures of the Mayor and the City Clerk.

(Balance of this page intentionally left blank)

Section 23. 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 be effective upon its adoption and publication.

ADOPTED AND SIGNED THIS __nd day of ____, 2026.

Signed _____
Its Mayor

Signed _____
Its City Clerk