

**CITY OF CHARLOTTE**  
**DEPARTMENT OF FINANCE & TREASURY**  
**INTEROFFICE MEMORANDUM**

**TO:** MAYOR BURCH, CITY COUNCIL AND MANAGER GUETSCHOW  
**FROM:** CHRISTINE K. MOSSNER, FINANCE DIRECTOR  
**SUBJECT:** REFUNDING OF 2005 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM BONDS  
**DATE:** DECEMBER 19, 2014

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Attached, please find an ordinance to authorize the issuance of 2015 Water Supply and Sewage Disposal System Revenue Refunding Bonds. This bond issuance would refund the City's existing Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2005.

Bond refunding is similar to re-financing your home in that by refinancing your mortgage, at a lower interest rate, you save money over the life of the mortgage. When the city sells bonds, it is in essence borrowing money from bondholders and agreeing to pay interest on the borrowed money. Refunding those bonds allows the city to pay off the old bondholders and issue new bonds at lower interest rates; thereby saving money over the life of the bonds.

Based on current municipal bond rates, Stauder, Barch & Associates, our financial consultants, project net savings of approximately \$375,000 in interest payments over the remaining life of the bonds (\$340,000 present value).

The approval of this ordinance is the first step in the refunding process. The City reserves the right to stop the process at any time prior to issuing the bonds if municipal bond rates change such that the refunding would not be cost beneficial to the City. However, I anticipate that the rates will stay low enough to proceed through the entire refunding process with the bond sale set for the week of March 23, 2015.

While this bond authorization is in the form of an ordinance, it is presented under the requirements of the Revenue bond Act and therefore, the city charter provisions regarding ordinances do not apply. This ordinance can be adopted at the meeting where it is introduced. I therefore recommend that the City Council approve for adoption the attached bond refunding ordinance.

**CITY OF CHARLOTTE**  
(Eaton County, Michigan)

Ordinance No. \_\_\_\_\_

Council member \_\_\_\_\_, supported by Council member \_\_\_\_\_,  
moved adoption of the following Ordinance:

**AN ORDINANCE AMENDING AND SUPPLEMENTING CITY ORDINANCES; TO AUTHORIZE THE ISSUANCE AND SALE OF WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE REFUNDING BONDS; TO PRESCRIBE THE FORM OF THE BONDS; TO PROVIDE FOR THE COLLECTION OF REVENUES TO PAY COSTS OF OPERATING AND MAINTAINING THE WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM; TO PROVIDE A RESERVE FUND FOR THE REFUNDING BONDS; TO PROVIDE FOR SEGREGATING AND DISTRIBUTING CERTAIN SYSTEM REVENUES; TO PROVIDE FOR RIGHTS OF THE HOLDERS OF THE REFUNDING BONDS; AND TO PROVIDE FOR OTHER MATTERS RELATIVE TO THE REFUNDING BONDS.**

THE CITY OF CHARLOTTE ORDAINS:

Section 1. Definitions. Except when the context clearly indicates otherwise, the following definitions shall apply to terms used in this ordinance. Terms not defined in this section shall have the definitions provided by the Prior Ordinances (defined below).

- (a) “Act 94” means Act 94, Public Acts of Michigan, 1933, as amended.
- (b) “Authorized Officer” means the City Manager or the Finance Director of the City or either one of them acting alone.
- (c) “Bondholder” or “Bondholders” means the holder or holders of the Bonds.
- (d) “Bonds” as defined in the Prior Ordinances shall include the Series 2015 Bonds, the Outstanding Bonds, and any additional Bonds of equal standing hereafter issued.
- (e) “Bonds to be Refunded” means such of the Series 2005 Bonds as the Authorized Officer determines to refund.
- (f) “City” means the City of Charlotte, Eaton County, Michigan.
- (g) “Code” means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.
- (h) “Escrow Agreement” means an Escrow Agreement which may be executed between the City and an Escrow Trustee providing for deposit of the proceeds of the Bonds with the Escrow Trustee for the purpose of investment and administration.

(i) “Escrow Fund” means the Escrow Fund established pursuant to the Escrow Agreement for the purpose of paying principal, interest and redemption premiums, if any, on the Bonds to be Refunded being redeemed.

(j) “Escrow Trustee” means a bank, trust company, or other organization designated by the Authorized Officer, and the Escrow Trustee under the Escrow Agreement, to administer the Escrow Fund pursuant to the terms of the Escrow Agreement.

(k) “Government Obligations” means any bonds or other obligations not callable at the option of the City thereof, which as to principal and interest constitute direct obligations of the United States of America, or obligations the principal of and interest on which is fully guaranteed by the United States of America, including U.S. Treasury Trust Receipts, or any other obligations permitted under the terms of the Escrow Agreement.

(l) “Paying Agent” means the paying agent designated and serving pursuant to section 8 of this ordinance.

(m) “Prior Bonds” means the Series 2005 Bonds that remain outstanding.

(n) “Prior Ordinances” means City Ordinance Number 991 and the Ordinance adopted on June 27, 2005, authorizing the issuance of the Series 2005 Bonds.

(o) “Revenues” and “Net Revenues” mean 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 Ordinances and this Ordinance.

(p) “Sale Order” shall mean an order signed by the Authorized Officer with respect to the Series 2015 Bonds.

(q) “Series 2005 Bonds” means the City’s Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2005, dated August 4, 2005.

(r) “Series 2015 Bonds” means the City’s Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2015, issued pursuant to this ordinance.

(s) “System” means the entire water supply and sewage disposal system owned and operated by the City as defined in the Prior Ordinances.

Section 2. Necessity, Public Purpose. It is determined to be necessary for the public health, safety, and welfare of the City to refund the Bonds to be Refunded.

Section 3. Issuance of Bonds. If the refunding of the Bonds to be Refunded would accomplish a net present value savings equal to at least 3% of the Bonds to be Refunded, bonds of the City designated Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2015, are authorized to be issued pursuant to Act 94 in the aggregate principal amount of not to exceed \$4,700,000, as finally determined by the Authorized Officer in the Sale Order, for the purpose of refunding the Bonds to be Refunded as determined by the Authorized Officer and

to pay the legal and financial expenses and all other expenses incidental to the issuance of the Series 2015 Bonds. Any remaining costs of the refunding shall be paid from such funds of the System as shall be determined by the Authorized Officer.

Section 4. Period of Usefulness. The estimated remaining period of usefulness of the improvements financed by the Series 2005 Bonds is determined to be in excess of 11 years.

Section 5. Bond Terms. The Series 2015 Bonds shall be issued in fully registered form as to both principal and interest, in denominations of \$5,000 each or any whole multiple of that amount not exceeding in any one year the amount maturing in that year. The Bonds shall be numbered consecutively in the order of their registration, shall be dated the date of delivery or such other date as determined by the Authorized Officer in the Sale Order, and shall mature serially or as term bonds subject to mandatory redemption as determined in the Sale Order. The Series 2015 Bonds shall bear interest at a rate or rates not exceeding 4.0% per annum, payable semiannually on the dates and at the rates determined in the Sale Order. The Series 2015 Bonds may be offered at a discount or a premium as determined in the Sale Order.

Section 6. Payment of Bonds; Pledge of Net Revenues. Principal of and interest on the Series 2015 Bonds shall be payable in lawful money of the United States to the person appearing on the Series 2015 Bond registration books as the registered owner thereof. Payment of principal of the Series 2015 Bonds shall be made at the principal office of the Paying Agent. Payment of interest on the Series 2015 Bonds shall be paid to the registered owner at the address as it appears on the registration books as of the determination date. Initially, the determination date shall be the date as of the 15<sup>th</sup> day of the month prior to the payment date for each interest payment; however, the determination date may be changed by the City to conform to market practice.

The principal of and interest on the Series 2015 Bonds, as Additional Bonds authorized by Prior Ordinances, shall be payable solely from the Net Revenues of the System and the Net Revenues of the System are pledged to the payment of the principal of and interest on the Series 2015 Bonds. To secure the payment of the principal of and interest on the Series 2015 Bonds, there is created a statutory lien to and in favor of the Bondholders upon the Net Revenues of the System. The statutory lien on the Net Revenues securing the Series 2015 Bonds shall be a first lien of equal standing and priority with respect to the lien on the Net Revenues of the System securing such of the Prior Bonds as remain outstanding. The Net Revenues so pledged shall be and remain subject to such lien until the payment in full of the principal of and interest on the Bonds or until the Bonds are defeased.

The Series 2015 Bonds, including both principal and interest thereon, shall not be a general obligation of the City and shall not constitute an indebtedness of the City for the purpose of any debt limitations imposed by any constitutional or statutory provisions.

Section 7. Prior Redemption.

(a) Mandatory Redemption. Principal designated as a term bond maturity in the Sale Order shall be subject to mandatory redemption, in whole or in part, by lot, at par plus accrued interest, on the redemption dates and in the amounts provided in the Sale Order. When

term bonds are purchased by the City and delivered to the Paying Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the term bonds affected shall be reduced by the principal amount of the Series 2015 Bonds so redeemed in the order determined by the City.

(b) Optional Redemption. The Series 2015 Bonds shall not be subject to optional redemption prior to maturity.

#### Section 8. Paying Agent and Registration.

(a) Appointment of Paying Agent. From time to time, the City shall designate and appoint a Paying Agent, which may also act as transfer agent and bond registrar. The initial Paying Agent shall be designated by the Authorized Officer. In the event of a change in the Paying Agent, notice shall be given in writing, by certified mail, to each Registered Owner not less than 60 days prior to the next interest payment date. The Paying Agent shall keep the official books for the recordation of the Registered Owners of Series 2015 Bonds.

(b) Book-Entry Eligible. At the option of the initial purchaser of Series 2015 Bonds, Series 2015 Bonds will be issued in book-entry-only for as one fully registered bond per maturity and will be registered in the name of Cede & Co., as bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York; if this option is selected, DTC will act as securities depository for Series 2015 Bonds, purchase of Series 2015 Bonds will be made in book-entry-only for, the denomination of \$5,000 or any integral multiple thereof; purchasers will not receive certificates representing their interest in Series 2015 Bonds purchased. Payment of principal and interest will be made by the Paying Agent to DTC.

(c) Discontinuance of Book Entry Only. In the even the book-entry-only system is not selected or is discontinued, the following provisions would apply to Series 2015 Bonds. Series 2015 Bonds may be transferred only by submitting the same to the Paying Agent, together with a satisfactory instrument of transfer signed by the Registered Owner or his legal representative duly authorized in writing, after which a new Bond or Bonds shall be issued by the Paying Agent to the transferee (new registered owner) in denominations of \$5,000 or any integral multiple thereof, in the same aggregate principal amount as the Bond submitted for transfer. No transfer of Series 2015 Bonds shall be valid unless and until recorded on the bond registration books in accordance with the foregoing. The person in whose name any bond is registered may for all purposes, notwithstanding any notice to the contrary, be deemed and treated by the City and the Paying Agent as the absolute owner thereof, and any payment of principal and interest on any Series 2015 Bond to the Registered Owner thereof shall constitute a valid discharge of the City's liability upon such Bond to the extent of such payment. No Series 2015 Bond shall be transferred less than 15 days prior to an interest payment date nor after the Series 2015 Bond has been called for redemption.

Section 9. Bond Form. The Series 2015 Bonds shall be substantially in the form attached as Exhibit A, which is incorporated by reference, with such completions, changes, and additions as may be recommended by the City's bond counsel and approved by the officers of the City signing the Series 2015 Bonds.

Section 10. Sale of Bonds. The Bonds shall be sold at a public sale. The Authorized Officer shall set the date and time for sale of the Bonds, which date shall be at least seven (7) days after the publication of the official notice of sale. The City Clerk shall cause notice of the sale of the Bonds to be published in *The Bond Buyer*, which notice shall be in substantially in the form attached hereto as Exhibit B, with such changes as are approved by the Authorized Officer.

The Bonds shall not be sold at a price that would make the true interest cost for the Bonds exceed three and 25/100 percent (3.25%) per annum or sold at a price less than 99% or more than 103% of their par value.

Section 11. Authorized Officer. The Authorized Officer is designated, for and on behalf of the City, to do all acts and to take all necessary steps required to effectuate the sale, issuance, and delivery of the Series 2015 Bonds. Notwithstanding any other provision of this Ordinance, the Authorized Officer is authorized within the limitations of this Ordinance to determine the specific interest rate or rates to be borne by the Series 2015 Bonds (provided that the True Interest Cost of the Series 2015 Bonds shall not exceed 3.25%), the principal amount, denominations, interest payment dates, dates of maturities, and amount of maturities, the amount of good faith deposit, if any, optional and mandatory redemption rights, term bond options, the title of the Series 2015 Bonds, date of issuance, and other terms and conditions relating to the Series 2015 Bonds and the sale thereof. The Authorized Officer's approval of the terms shall be evidenced by his or her signature on the document or agreement stating such terms. The Authorized Officer is authorized for and on behalf of the City, without further City Council approval, to do all acts and take all necessary steps required to effectuate the sale, issuance, and delivery of the Series 2015 Bonds, including to: (a) award the sale of the Series 2015 Bonds; (b) negotiate, approve, and execute the Escrow Agreement; and (c) apply to rating agencies for a rating on the Series 2015 Bonds.

The Authorized Officer, the Mayor, the Clerk, and the Treasurer, or any one or more of them, are authorized to execute, by manual or facsimile signature, any orders, receipts, agreements, pledge agreements, escrow agreements, bond purchase agreements, documents or certificates necessary to complete the transaction, including, but not limited to, any issuer's certificate, any certificates relating to federal or state securities laws, rules or regulations, and any applications to the Michigan Department of Treasury, including, but not limited to, the Application for State Treasurer's Approval to Issue Long-Term Securities. The Authorized Officer is authorized to select and retain on behalf of the City such professional services as the Authorized Officer deems necessary for the Series 2015 Bonds, including, but not limited to, a verification agent and an escrow trustee.

Section 12. Execution of Bonds. The Mayor or the Mayor Pro Tem and the Clerk or the Deputy Clerk of the City are authorized and directed to sign the Series 2015 Bonds, either manually or by facsimile signature, on behalf of the City. Upon execution, the Series 2015 Bonds shall be delivered by the City Treasurer to the purchaser of the Series 2015 Bonds.

Section 13. Use of Bond Proceeds.

(a) Refunding Proceeds. A portion of the proceeds of the Series 2015 Bonds designated by the Authorized Officer to be used to refund the Bonds to be Refunded, together

with any monies transferred by the City from the debt retirement funds and bond reserve account for the Bonds to be Refunded and any other funds made available by the City, all as determined by the Authorized Officer, shall be deposited in the Escrow Fund, to be used pursuant to the terms of the Escrow Agreement to pay principal of and interest on the Bonds to be Refunded, being called for redemption.

The Escrow Fund shall be held in trust by the Escrow Trustee pursuant to the Escrow Agreement, which agreement shall irrevocably direct the Escrow Trustee to take all necessary steps to call for redemption the Bonds to be Refunded, including publication and mailing of redemption notices, on the first call date on which the Bonds to be Refunded may be called for full redemption. The proceeds of the Series 2015 Bonds to be deposited in the Escrow Fund shall be invested in deposits of cash and/or Government Obligations. The investments held in the Escrow Fund shall be such that the principal and interest payments received thereon will be sufficient, without reinvestment, to pay the principal, interest and redemption premiums on the Bonds to be Refunded being redeemed as they become due at their maturity or at the call for redemption required by this section.

The Authorized Officer is authorized to select the Escrow Agent, to approve and execute an Escrow Agreement, to determine which Series 2005 Bonds to refund and to take all other actions or sign any other documents, agreements, or certificates necessary to complete the refunding of the Bonds to be Refunded.

(b) Cost of Issuance Fund. The balance of the proceeds of the sale of the Series 2015 Bonds shall be deposited into a fund to be designated “2015 Refunding Bonds Cost of Issuance Fund” to be used to pay legal, financing, or other expenses incidental to the issuance of the Series 2015 Bonds. Any amounts remaining after the payment of the costs of issuance shall be transferred to the Redemption Fund.

Section 14. Bond Reserve Account. The Bond Reserve Account in the Bond and Interest Redemption Fund, as established by the Prior Ordinances, shall be adjusted in such amounts so that upon issuance of the Series 2015 Bonds, the Bond Reserve Account shall total a sum equal to the lesser of (a) the maximum annual principal and interest requirements on the Bonds outstanding after issuance of the Series 2015 Bonds but not including the Bonds to be Refunded that have been defeased (the “Outstanding Bonds”); (b) 125% of the average annual debt service on the Outstanding Bonds; or (c) an amount equal to 10% of the principal amount of the Outstanding Bonds. In the event that the amount in said Bond Reserve Account is greater than such largest annual debt service requirement, such excess amount shall be transferred to the Bond and Interest Redemption Fund. If it is necessary to increase the amount in the Bond Reserve Account, the City shall deposit a sum from the moneys on hand in the System prior to or concurrently with the delivery of the Series 2015 Bonds so that the Bond Reserve Account is fully funded as of the delivery of the Series 2015 Bonds.

Section 15. Defeasance. In the event cash or direct obligations of the United States or obligations the principal of and interest on which are guaranteed by the United States, or a combination thereof, the principal of and interest on which, without reinvestment, come due at times and in amounts sufficient to pay at maturity or irrevocable call for earlier optional or mandatory redemption, the principal of, premium, if any, and interest on the Series 2015 Bonds,

shall be deposited in trust, this ordinance shall be defeased and the owners of the Series 2015 Bonds shall have no further rights under this ordinance except to receive payment of the principal of, premium, if any, and interest on the Series 2015 Bonds from the cash or securities deposited in trust and the interest and gains thereon and to transfer and exchange Series 2015 Bonds as provided herein.

Section 16. Contract with Bondholders. This ordinance shall constitute a contract between the City and the Bondholders from time to time, and after the issuance of any of such Series 2015 Bonds, no change, variation, or alteration of the provisions of this ordinance may be made that would lessen the security for such Series 2015 Bonds. The provisions of this ordinance shall be enforceable by appropriate proceedings taken by such Bondholder, either at law or in equity.

Section 17. Bonds Mutilated, Lost, or Destroyed. If any Bond shall become mutilated, the City, at the expense of the Bondholder, shall execute, and the Paying Agent shall authenticate and deliver, a new Bond of like tenor in exchange and substitution for the mutilated Bond, upon surrender to the Paying 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 Paying Agent and, if this evidence is satisfactory to both the City and the Paying Agent and indemnity satisfactory to the Paying Agent shall be given, the City, at the expense of the owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like tenor, which shall bear the statement required by Act 354, Public Acts of 1972, as amended, 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 Paying Agent may pay the same without surrender thereof.

Section 18. Municipal Bond Insurance. The Authorized Officer is hereby authorized to acquire municipal bond insurance to enhance the marketability of the Series 2015 Bonds. If the City acquires municipal bond insurance from a municipal bond insurer (the "Insurer"), the Authorized Officer, or any other officer of the City, is hereby authorized to take all actions, and to execute any documents, certificates, orders, applications, agreements, conditions, covenants or other instruments necessary to effectuate the issuance of the policy of bond insurance, including, but not limited to the execution of an order containing such provisions as the Insurer may require with respect to the insurance and the Insurer.

Section 19. Official Statement. The Authorized Officer is hereby authorized and directed to approve, execute and deliver a preliminary Official Statement and an Official Statement on behalf of the City in such form as they deem necessary in order to assure that the statements therein are true and that it does not contain any untrue statement or material fact and does not omit a material fact necessary in order to make the statements, in light of the circumstances under which they were made, not misleading.

Section 20. Continuing Disclosure. If necessary, the City hereby authorizes the Authorized Officer to agree on behalf of the City to undertake continuing disclosure as issuer of the Series 2015 Bonds. Pursuant to the terms of a Continuing Disclosure Agreement, the City would provide, or cause to be provided, (a) certain annual financial information and operating data, including audited financial statements for the preceding fiscal year, (b) timely notice of the



occurrence of certain material events with respect to the Bonds, and (c) timely notice of a failure by the City to provide the required annual financial information on or before the date required in the Continuing Disclosure Agreement. The Authorized Officer is authorized to execute a Continuing Disclosure Agreement on behalf of the City in such form as the Authorized Officer shall determine, in consultation with bond counsel, to be appropriate.

Section 21. Tax Covenant. The City shall, to the extent permitted by law, take all actions within its control necessary to maintain the exclusion of the interest on the Series 2015 Bonds from gross income for federal income tax purposes under the Code, including, but not limited to, actions relating to any required rebate of arbitrage earnings and the expenditures and investment of Series 2015 Bond proceeds and moneys deemed to be Series 2015 Bond proceeds.

Section 22. Qualified Tax-Exempt Obligation. The City reasonably anticipates that the amount of qualified tax-exempt obligations that will be issued by or on behalf of the City and all subordinate entities during the calendar year 2015 shall not exceed \$10,000,000. The City hereby designates the Series 2015 Bonds in their total principal amount as “qualified tax-exempt obligations” for purposes of Code Section 265(b)(3)(B).

Section 23. Bond Counsel. Dickinson Wright PLLC, Grand Rapids, Michigan, is appointed to act as bond counsel for the Series 2015 Bonds.

Section 24. Financial Advisor. Stauder, Barch & Associates is appointed to act as financial advisor for the Series 2015 Bonds.

Section 25. Subject to Prior Ordinances. Except to the extent supplemented or otherwise provided in this ordinance, all of the provisions and covenants provided in the Prior Ordinances shall apply to the Series 2015 Bonds.

Section 26. Publication and Recordation. This ordinance shall be published once in full in a newspaper of general circulation in the City qualified under state law to publish legal notices, and the same shall be recorded in the records of the City and such recording authenticated by the signatures of the Mayor or Mayor Pro Tem and the City Clerk.

Section 27. Ordinance Subject to Michigan Law. The provisions of this ordinance are subject to the laws of the State of Michigan.

Section 28. Section Headings. The section headings in this ordinance are for convenience of reference only and are not a part of this ordinance.

Section 29. Severability. 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.

Section 30. Effective Date. Pursuant to Section 6 of Act 94, this ordinance shall be approved on the date of first reading and this ordinance shall be effective immediately upon its adoption.

YEAS: Council Members \_\_\_\_\_  
\_\_\_\_\_  
NAYS: Council Members \_\_\_\_\_  
ABSTAIN: Council Members \_\_\_\_\_  
ABSENT: Council Members \_\_\_\_\_

ORDINANCE DECLARED ADOPTED.

\_\_\_\_\_  
Carrie Burch, Mayor

\_\_\_\_\_  
Ginger Terpstra, Clerk

### **CERTIFICATION**

As the duly qualified and acting Clerk of the City of Charlotte, Michigan I certify that this is a true and complete copy of an ordinance adopted by the City Council at a meeting held on December 22, 2014, and that notice of that meeting complied with Act 267, Public Acts of Michigan, 1976, as amended.

December 22, 2014

\_\_\_\_\_  
Ginger Terpstra, Clerk

**EXHIBIT A**

**UNITED STATES OF AMERICA  
STATE OF MICHIGAN  
COUNTY OF EATON  
CITY OF CHARLOTTE  
WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM  
REVENUE REFUNDING BONDS, SERIES 2015**

<b><u>Interest Rate</u></b>	<b><u>Maturity Date</u></b>	<b><u>Date of Original Issue</u></b>	<b><u>CUSIP</u></b>
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Registered Owner:

Principal Amount: \_\_\_\_\_ Dollars (\$\_\_\_\_\_)

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The City of Charlotte, Eaton County, Michigan (the “City”), acknowledges it is indebted and, for value received, promises to pay to the Registered Owner specified above, or registered assigns, out of the net revenues of the Water Supply and Sewage Disposal System of the City (the “System”), including all appurtenances, additions, extensions and improvements thereto after provision has been made for reasonable and necessary expenses of operation, maintenance and administration of the System (the “Net Revenues”), the Principal Amount specified above, unless prepaid prior thereto as hereinafter provided, in lawful money of the United States of America, on the Date of Maturity specified above with interest thereon from the Date of Original Issue specified above or such later date to which interest has been paid, at the Interest Rate per annum specified above, first payable on \_\_\_\_\_ 1, 20\_\_, and semiannually thereafter on the first day of \_\_\_\_\_ and \_\_\_\_\_ of each year, except as the provisions hereinafter set forth with respect to redemption of this Bond prior to maturity may become applicable hereto.

This Bond is the total authorized issue of bonds issued in accordance with the provisions of Act 94, Public Acts of Michigan, 1933, as amended, and City Ordinance Number 991 and the ordinance adopted on June 27, 2005, authorizing the issuance of the City’s 2005 Water Supply and Sewage Disposal System Revenue Refunding Bonds (the “2005 Bonds”) and Ordinance Number \_\_\_\_\_ (together the “Ordinance”), for the purpose of paying the costs of refunding the

City's 2005 Bonds. This Bond is a self-liquidating Bond, and is not a general obligation of the City within any constitutional or statutory limitation, but is payable, both as to principal and interest, solely from the Net Revenues of the System. The principal of and interest on this Bond are secured by a statutory lien on the Net Revenues.

The City hereby covenants and agrees to fix, and maintain at all times while any of the Bonds shall be outstanding, such rates for service furnished by the System as shall be sufficient to provide for payment of the principal of and interest upon all such Bonds as and when the same become due and payable, to maintain a bond and interest redemption fund, a bond reserve account and 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. The Bonds of this series shall have equal standing with the City's 2005 Water Supply and Sewage Disposal System Revenue Refunding Bonds. 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 or subordinate standing may hereafter be issued, and the general covenants and provisions pursuant to which this Bond is issued, reference is made to the Ordinance.

Principal of this Bond is payable at the principal office of \_\_\_\_\_, \_\_\_\_\_, Michigan, or such other Paying Agent as the City may hereafter designate (the "Paying Agent") by notice mailed to the Registered Owner not less than sixty (60) days prior to the next interest payment date. Interest on this Bond is payable to the Registered Owner of record as of the fifteenth (15<sup>th</sup>) day of the month preceding the payment date as shown on the registration books of the City maintained by the Paying Agent, by check or draft mailed to the Registered Owner at the registered address.

The Bond is subject to mandatory redemption prior to maturity in part, by lot, on each \_\_\_\_\_, at the par value thereof plus accrued interest to the redemption date as follows:

<u>Redemption Date</u>	<u>Principal Amount</u>
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The Bonds shall not be subject to optional redemption prior to maturity.

This Bond shall be registered in the name of the Registered Owner on the registration books kept by the Paying Agent and such registration noted hereon, and, thereafter, no transfer shall be valid unless made upon the registration books and likewise noted hereon. This Bond is exchangeable at the request of the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the office of the Paying Agent, but only in the manner, subject to the

limitations and at his sole expense, for other bonds of an equal aggregate amount, upon surrender of this Bond to the Paying Agent. Upon such transfer, a new registered bond or bonds of the same series and the same maturity of authorized denomination will be issued to the transferee in exchange therefor.

The City has designated the Bond as “qualified tax exempt obligation” for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

It is hereby certified and recited that all acts, conditions and things required by law, precedent to and in the issuance of this Bond, exist and have been done and performed in regular and due time and form as required by law and that the total indebtedness of the City including this Bond, does not exceed any charter, constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Charlotte, Eaton County, Michigan, by its City Council, has caused this Bond to be signed, by the manual or facsimile signatures of its Mayor and its Clerk, all as of the \_\_\_\_ day of \_\_\_\_\_, 2015.

\_\_\_\_\_  
Carrie Burch, Mayor

\_\_\_\_\_  
Ginger Terpstra, Clerk

#### **CERTIFICATE OF REGISTRATION AND AUTHENTICATION**

This Bond is the City of Charlotte \$\_\_\_\_\_ Water Supply and Sewage Disposal System Revenue Refunding Bonds, Series 2015, and has been registered in the name of the Registered Owner designated on the face thereof in the bond register maintained for the City.

\_\_\_\_\_  
As Paying Agent/Bond Registrar/Transfer Agent

Authentication Date: \_\_\_\_\_, 2015

### **WRONGFUL USE OF CERTIFICATE**

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

### **ASSIGNMENT**

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_

\_\_\_\_\_  
(please print or type social security number or taxpayer identification number and name and address of transferee)

the within bond and all rights thereunder, and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_ Signed: \_\_\_\_\_

In the presence of: \_\_\_\_\_

**Notice:** The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever. When assignment is made by a guardian, trustee, executor or administrator, an officer of a corporation, or anyone in a representative capacity, proof of his City to act must accompany the bond.

Signature(s) must be guaranteed by an eligible guarantor institution participating in a Securities Transfer Association recognized signature guaranty program.

Signature Guaranteed: \_\_\_\_\_

## EXHIBIT B

### OFFICIAL NOTICE OF SALE

\$ \_\_\_\_\_<sup>1</sup>

**CITY OF CHARLOTTE**

**County of Eaton, State of Michigan**

### **WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE REFUNDING BONDS, SERIES 2015**

**SEALED BIDS:** Sealed bids for the purchase of the above Bonds will be received by the undersigned at the offices of the City of Charlotte (the “City”), located at 111 East Lawrence Avenue, Charlotte, Michigan, on \_\_\_\_\_, 2015, until \_\_\_\_\_. m., local time, at which time and place the bids will be publicly opened and read. In the alternative, sealed bids will also be received on the same date and until the same time by an agent of the undersigned at the Municipal Advisory Council of Michigan (the “MAC”), Buhl Building, 535 Griswold, Suite 1850, Detroit, Michigan 48226-3699, where they will be opened and read.

**FAXED BIDS:** Members of the MAC may submit signed bids by fax to the MAC at (313) 9630943, and other bidders may submit bids by fax to the City at fax number (517) 5438845; **provided that** faxed bids must arrive before the time of sale and the bidder bears all risks of transmission failure.

**ELECTRONIC BIDS:** Electronic bids will also be received on the same date and until the same time by PARITY as agent of the undersigned. For further information about PARITY, including any fee charged, bidders may contact PARITY, at (212) 849-5021. If any provision of the Official Notice of Sale shall conflict with information provided by PARITY, this Official Notice of Sale shall control.

**BOND DETAILS:** The Bonds will be fully registered Bonds of the denomination of \$5,000 each or any whole multiple thereof within any maturity, dated the date of their delivery, numbered in order of their registration, and will bear interest from their date payable on December 1, 2015, and semiannually thereafter.

The Bonds will mature on the first day of June in each year as follows<sup>1</sup>:

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<sup>1</sup> Subject to change.

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YEAR	AMOUNT
2016	\$
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	

ADJUSTMENT TO MATURITY: The aggregate principal amount of the Bonds is believed to be the amount necessary to provide adequate funds to refund the City's 2005 Water Supply and Sewage Disposal System Revenue Refunding Bonds (the "Prior Bonds") and to pay transactional costs. The City reserves the right to increase or decrease the aggregate principal amount of the Bonds by not more than \$200,000 after receipt of the bids and prior to final award. Such adjustment, if necessary, will be made in increments of \$5,000 not exceeding \$30,000 per maturity and may be made in any maturity. The interest rates specified by the successful bidder for all maturities will not change. The successful bidder may not withdraw the bid as a result of any change made within these limits.

If no bid results in debt service savings acceptable to the City when the proceeds of the Bonds are used to refund the Prior Bonds, the City may reject all bids and negotiate with one or more bidders for the sale of the Bonds on terms which will enable the City to achieve debt service savings acceptable to the City.

ADJUSTMENT TO PURCHASE PRICE: The purchase price of the Bonds will be adjusted proportionally to the adjustment in principal amount of the Bonds and in such manner as to maintain as comparable an underwriter spread as possible to that bid.

INTEREST RATE AND BIDDING DETAILS: The Bonds shall bear interest at a rate or rates not exceeding 4% per annum, to be fixed by the bids therefor, expressed in multiples of 1/8 or 1/20 of 1%, or both. Interest shall be computed using a 360-day year consisting of twelve 30day months. The interest on any one Bond shall be at one rate only. All Bonds maturing in any one year must carry the same interest rate. The difference between the highest and lowest interest rate on the Bonds shall not exceed two percentage points. No proposal for the purchase of less than all of the Bonds will be considered and the Bonds shall not be sold at a price that would make the true interest cost for the Bonds exceed 3.25% per annum or at a price less than 99% nor more than 103% of their par value. THE INTEREST RATE BORNE BY BONDS MATURING AFTER JUNE 1, 2016, MUST BE EQUAL TO OR GREATER THAN THE INTEREST RATE BORNE BY BONDS MATURING IN THE RESPECTIVE PRECEDING YEAR.

OPTIONAL REDEMPTION: The Bonds shall not be subject to optional redemption prior to maturity.



TERM BOND OPTION. Bidders shall have the option of designating bonds of any maturity as serial bonds or term bonds, or both. Any such designation shall be made within 24 hours of the time the bonds are awarded to the successful bidder. A term bond may consist of bonds subject to optional redemption or bonds not subject to optional redemption but may not consist of both types of bonds. The amounts of the maturities which are aggregated in a designated term bond shall be subject to mandatory redemption on June 1 of the years and in the amounts set forth above, at par and accrued interest to the date fixed for redemption.

DTC BOOK-ENTRY-ONLY: The Bonds are being initially offered as registered in the name of Cede & Co., as Registered Owner and nominee for The Depository Trust Company, New York, New York ("DTC") under DTC's Book-Entry-Only system of registration. Purchasers of interests in the Bonds (the "Beneficial Owners") will not receive physical delivery of bond certificates and ownership by the Beneficial Owners of the Bonds will be evidenced by book-entry-only. As long as Cede & Co. is the Registered Owner of the Bonds as nominee of DTC, payments of principal and interest will be made directly to such Registered Owner which will in turn remit such payments to the DTC participants for subsequent distribution to the Beneficial Owners. It will be the responsibility of the purchaser to obtain DTC eligibility. Failure of the purchaser to obtain DTC eligibility shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Bonds.

PAYING AGENT AND REGISTRATION: Principal shall be payable at the designated office of \_\_\_\_\_, \_\_\_\_\_, Michigan, as Paying Agent (which shall also act as transfer agent and bond registrar) or such other Paying Agent as the City may from time to time hereafter designate by notice mailed to the Registered Owner not less than 60 days prior to the next interest payment date. Interest shall be paid when due to the Registered Owner as shown by the registration books of the City as of the 15<sup>th</sup> day of the month prior to any interest payment date. The Bonds will be transferable only upon the registration books of the City kept by the Paying Agent.

PURPOSE AND SECURITY: The Bonds are issued under the provisions of Act 94, Public Acts of Michigan, 1933, as amended, and Ordinances of the City, including an ordinance adopted on December 22, 2014 (the "Ordinances") for the purpose of refunding the City's 2005 Water Supply and Sewage Disposal System Revenue Refunding Bonds. The Bonds are payable solely from the net revenues of the Water Supply and Sewage Disposal System of the City (the "System") and any additions thereto, and a statutory first lien on said revenues has been established by said Ordinances. The Bonds do not constitute a general obligation of the City. The City has covenanted and agreed to fix and maintain at all times while any of such Bonds shall be outstanding such rates for service furnished by the System as shall be sufficient to provide for payment of the necessary expenses or operation, maintenance, and administration of said System, of the principal and interest on said Bonds when due, to create a bond reserve account therefor and to provide for such other expenditures and funds for said System as are required by said Ordinances.

GOOD FAITH: A certified or cashier's check drawn upon an incorporated bank or trust company or a wire transfer, in the amount of \$ \_\_\_\_\_<sup>2</sup> (two percent of the par amount of

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<sup>2</sup> Subject to change.

the Bonds) payable to the City will be required of the successful bidder as a guarantee of good faith on the part of the bidder, to be forfeited as liquidated damages if the bidder fails to take up and pay for the Bonds. The successful bidder is required to submit its good faith deposit to the City as instructed by the City or its Financial Advisor no later than Noon, prevailing local time, on the next business day following the award of the Bonds. The good faith deposit will be deposited into the City's funds and payment of the balance of the purchase price of the Bonds shall be made at the closing. No interest shall be allowed on the good faith deposit.

AWARD OF BONDS – TRUE INTEREST COST: The Bonds will be awarded to the bidder whose bid produces the lowest true interest cost to the City. True interest cost will be computed by determining the single interest rate (compounded on December 1, 2015, and semiannually thereafter) necessary to discount the debt service payments from the payment dates thereof to \_\_\_\_\_, 2015 (expected closing date), in an amount equal to the price bid, excluding accrued interest.

LEGAL OPINION: Bids shall be conditioned upon the approving opinion of Dickinson Wright PLLC, Grand Rapids, Michigan ("Bond Counsel"), the original of which will be furnished without expense to the purchaser of the Bonds at the delivery thereof. The fees of Bond Counsel for services rendered in connection with such approving opinion are expected to be paid from Bond proceeds. Except to the extent necessary to issue its approving opinion as to the validity of the Bonds, Bond Counsel has made no inquiry as to any financial information, statements or material contained in any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds, including specifically the Official Statement, and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial information, statements or materials.

TAX-EXEMPTION: The approving opinion of Bond Counsel will include an opinion that, under existing laws, regulations, rulings and judicial decisions, existing on the date of closing and as presently interpreted, and assuming compliance with certain covenants by the City, interest on the Bonds: (a) will be excluded from gross income for federal income tax purposes; and (b) will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, it should be noted that certain corporations must take into account interest on the Bonds in determining adjusted net current earnings for purposes of calculating the federal alternative minimum tax imposed on such corporations. The opinion of Bond Counsel will be subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements include rebating certain earnings to the United States. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements. Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

The opinion of Bond Counsel will also include an opinion that based on existing State of Michigan statutes, regulations, rulings and court decisions, as presently interpreted, the Bonds and the interest on the Bonds are exempt from all taxation presently in effect in the State of

Michigan, except for inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

QUALIFIED TAXEXEMPT OBLIGATION: The City will designate the Bonds as “qualified taxexempt obligations” pursuant to Section 265(b)(3)(B) of the Code for purposes of deduction of interest by financial institutions.

BIDDER CERTIFICATION: NOT “IRAN-LINKED BUSINESS:” By submitting a bid, the bidder shall be deemed to have certified that it is not an “Iran-Linked Business” as defined in Act No. 17, Public Acts of Michigan, 2012; MCL 129.311 *et seq.*

DELIVERY OF BONDS: The City will furnish Bonds ready for execution at its expense. Bonds will be delivered without expense to the purchaser through DTC. (Payment for the Bonds shall be made in Federal Reserve Funds). The usual closing documents, including a certificate that no litigation is pending affecting the issuance of the Bonds, will be delivered at the time of the delivery of the Bonds. If the Bonds are not tendered for delivery by 12:00 p.m. prevailing local time, on the 45<sup>th</sup> day following the date of sale, or the first business day thereafter if the 45<sup>th</sup> day is not a business day, the successful bidder may on that day or any time thereafter until delivery of the Bonds, withdraw its proposal by serving notice of cancellation, in writing, on the undersigned in which event the City shall promptly return the good faith deposit.

CERTIFICATION: Prior to the delivery of the Bonds, the successful bidder will be required to furnish a certificate, in form acceptable to bond counsel, as to the “issue price” of the Bonds within the meaning of Section 1273 of the Code.

CUSIP: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds or any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of the bid therefor. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the City and all other charges shall be the responsibility of the purchaser.

OFFICIAL STATEMENT: Copies of the Preliminary Official Statement may be obtained by contacting the Financial Advisor at the address referred to below. The Preliminary Official Statement is in a form deemed final as of its date by the City for purposes of SEC Rule 15c212 (the “Rule”), but is subject to revision, amendment and completion of a final Official Statement.

The successful bidder shall supply to the City, within twentyfour (24) hours after the award of the Bonds, all pricing information and any underwriter identification determined by bond counsel to be necessary to complete the final Official Statement. The City will furnish a reasonable number of final official statements to the managing underwriter at no cost. Additional copies will be supplied upon the bidder’s agreement to pay the costs incurred by the City for those additional copies. Requests for additional copies of the Official Statement must be made to the Financial Advisor within 24 hours of the award of the Bonds.

The City shall deliver, at closing, an executed certificate to the effect that as of the date of delivery of the Bonds, the information contained in the Official Statement, including revisions, amendments and completions as necessary, relating to the City and the Bonds is true and correct

in all material respects, and that such Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE: As described more fully in the Official Statement, the City agrees to provide or cause to be provided, in accordance with the requirements of the Rule, (i) not later than the date seven months after the end of the fiscal year of the City, commencing with the fiscal year ended June 30, 2015, certain annual financial information and operating data, including audited financial statements for the preceding fiscal year (or if audited financial statements are not available, unaudited financial statements), generally consistent with the information contained or cross-referenced in the Official Statement relating to the Bonds, (ii) timely notice of the occurrence of certain material events with respect to the Bonds, and (iii) timely notice of a failure by the City to provide the required annual financial information on or before the date specified in (i) above.

BOND INSURANCE: At the option of the bidder/purchaser, if the Bonds qualify for issuance of a policy of municipal bond insurance or commitment therefore, the purchaser may purchase such insurance policy or cause the issuance of such commitment, at its option and sole expense. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser. Any rating agency fees, except for a rating on the Bonds requested by the City, shall be the responsibility of the purchaser. **FAILURE OF THE MUNICIPAL BOND INSURER TO ISSUE THE POLICY AFTER THE BONDS HAVE BEEN AWARDED TO THE PURCHASER SHALL NOT CONSTITUTE CAUSE FOR FAILURE OR REFUSAL BY THE PURCHASER TO ACCEPT DELIVERY OF THE BONDS FROM THE CITY.**

BOND RATING: Application has been made to Standard & Poor's Ratings Services for a rating on the Bonds. No application was made to any other rating agency for a rating on the Bonds.

FINANCIAL CONSULTANT: Further information with respect to the Bonds may be obtained from Stauder, Barch & Associates, Inc. 3989 Research Park Drive, Ann Arbor, Michigan 48108. Telephone: (734) 668-6688, Fax: (734) 668-6723.

THE RIGHT IS RESERVED TO REJECT ANY OR ALL BIDS.

ENVELOPES containing the bids should be plainly marked "Proposal for 2015 Refunding Bonds."

Ginger Terpstra, Clerk  
City of Charlotte