



Legislation Details (With Text)

File #: 12-0294 **Version:** 1 **Name:** 3/19/2012 - Ordinance Authorizing the Issuance and Sale of Water Supply System Revenue Refunding Bonds, Series 2012, of Equal Standing with Certain Outstanding Water Supply System Revenue Bonds (Roll Call Vote Required – One Reading)

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Title: An Ordinance Authorizing the Issuance and Sale of Water Supply System Revenue Refunding Bonds, Series 2012, of Equal Standing with Certain Outstanding Water Supply System Revenue Bonds (Roll Call Vote Required - One Reading)

Sponsors:

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Attachments: 1. 12-06 Briefed and Approved, 2. BH01-#1498177-v1-A2_2012_Water_Refunding_Ordinance.

Date	Ver.	Action By	Action	Result
3/19/2012	1	City Council	Adopted	Pass

An Ordinance Authorizing the Issuance and Sale of Water Supply System Revenue Refunding Bonds, Series 2012, of Equal Standing with Certain Outstanding Water Supply System Revenue Bonds (Roll Call Vote Required - One Reading)

Recommended for Council is an Ordinance approving the issuance by the City of Ann Arbor of its Water Supply System Revenue Refunding Bonds, Series 2012 in the maximum principal amount of \$11,750,000.00 (the "Refunding Bonds"), for the purpose of refinancing the City's outstanding Water Supply System Revenue Bonds, Series W (issued December 1, 1998), Series X (issued May 1, 2002) and Series Z (issued issued February 1, 2004), maturing in the years 2013 to 2024, inclusive. The City's municipal finance advisors have calculated that based on current interest rates, after factoring in bond issuance costs, the refunding will yield net present value debt service savings of approximately \$555,000.00 over the 12 year term of the Refunding Bonds.

The Refunding Bonds will mature in the years 2013 through 2024, and will be secured by the net revenues of the System. The principal maturity schedule and other terms of the Refunding Bonds have been prepared by the City's municipal financial advisors.

The Refunding Bonds are to be sold through competitive bidding. The Ordinance authorizes the City Treasurer to execute an Order awarding the Bonds to the lowest bidder based on the lowest true interest cost to the City. The Ordinance authorizes the Mayor, City Clerk, Chief Financial Officer and City Treasurer to execute and deliver all required documentation in connection with the issuance, sale and delivery of the Refunding Bonds.

The City's bond counsel, Dykema Gossett, prepared the resolution, with further review by the City Attorney.

Prepared by: Matthew V. Horning, City Treasurer
Reviewed by: Mary Joan Fales, Senior Assistant City Attorney
Approved by: Steven D. Powers, City Administrator
ORDINANCE NO. ORD-12-06

First Reading: March 19, 2012

Published: March 22, 2012

Public Hearing: n/a

Effective: March 19, 2012

AN ORDINANCE AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF REVENUE REFUNDING BONDS OF EQUAL STANDING WITH CERTAIN OUTSTANDING WATER SUPPLY SYSTEM REVENUE BONDS AND WATER SUPPLY SYSTEM REVENUE REFUNDING BONDS FOR THE PURPOSE OF PAYING THE COST OF REFUNDING PORTIONS OF THE CITY'S WATER SUPPLY SYSTEM REVENUE BONDS, SERIES W, X AND Z; 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 REFUNDING BONDS AND CERTAIN OUTSTANDING BONDS OF THE SYSTEM; TO PROVIDE AN ADEQUATE RESERVE FUND FOR THE REFUNDING BONDS AND OUTSTANDING BONDS OF THE SYSTEM; TO PROVIDE FOR THE SEGREGATION AND DISTRIBUTION OF THE REVENUES; TO PROVIDE FOR THE RIGHTS OF THE HOLDERS OF THE REFUNDING BONDS AND OUTSTANDING BONDS OF THE SYSTEM IN ENFORCEMENT THEREOF; AND TO PROVIDE FOR OTHER MATTERS RELATING TO THE SYSTEM AND THE REFUNDING BONDS AND OUTSTANDING BONDS OF THE SYSTEM.

THE CITY OF ANN ARBOR 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) "Authorized Officer" means any one of the following City officers: Mayor, City Clerk, Chief Financial Officer and Treasurer.

(c) "Bonds" mean the Refunding Bonds, and any additional Bonds presently of equal standing or hereafter issued.

(d) "Council" or "City Council" means the City Council of the City of Ann Arbor, County of Washtenaw, State of Michigan.

(e) "Issuer" or "City" means the City of Ann Arbor, County of Washtenaw, State of Michigan.

(f) "Outstanding Bonds" means the City's Water Supply System Revenue and Refunding Bonds, Series W, dated December 1, 1998, Water Supply System Revenue Bonds, Series X, dated May 1, 2002, Water Supply System Revenue Refunding Bonds, Series Y, dated November 5, 2003, Water Supply System Revenue Bonds, Series Z, dated February 1, 2004, Water Supply System Revenue Bonds, Series 2004-A, dated March 25, 2004, and Water Supply System Revenue Refunding Bonds, Series 2005-A, dated June 29, 2005, Water Supply System Revenue Bonds, Series 2008-A, dated April 30, 2008, Water Supply System Revenue Bonds, Series 2010-A, dated January 22, 2010, Water Supply System Revenue Bonds, Series 2011-A, dated April 8, 2011, and Water Supply System Bonds, Series 2011-B, dated September 23, 2011.

(g) "Outstanding Ordinances" means Ordinance 86, as amended, Ordinance 26-98, Ordinance 16-02, Ordinance 34-03, Ordinance 47-03, Ordinance 8-04, Ordinance 17-05, Ordinance 09-08, Ordinance 32-09, Ordinance 11-03 and Ordinance No. 11-16, as such Ordinances may have been amended from time to time

(h) "Prior Bonds" means the Outstanding Series W Bonds, Series X Bonds and Series Z Bonds.

(i) "Prior Bonds to be Refunded" means all or portions of the Outstanding Prior Bonds selected by the Treasurer or other Authorized Officer to be refunded, but preliminarily refers to those Series W Bonds maturing in the years 2013 and 2014, aggregating the principal amount of \$810,000, those Series X Bonds maturing in the years 2014 to 2017, inclusive, aggregating the principal amount of \$2,700,000, and those Series Z Bonds maturing in the years 2014 to 2024, inclusive, aggregating the principal amount of \$7,320,000.

(j) "Refunding Bonds" means the Water Supply System Revenue Refunding Bonds, Series 2012 of the City authorized by this Ordinance.

(k) "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 Outstanding Ordinances and this Ordinance.

(l) "Sales Order" means the order to be executed and delivered by the Treasurer or other Authorized Officer on behalf of the City respecting the award and sale of the Bonds.

(m) "Series W Bonds" means the City's Water Supply System Revenue Bonds, Series W, which bonds mature serially on February 1 of each of the years 2013 and 2014.

(n) "Series X Bonds" means the City's Water Supply System Revenue Bonds, Series X, which bonds mature serially on February 1 of each of the years 2013 to 2017, inclusive.

(o) "Series Z Bonds" means the City's Water Supply System Revenue Bonds, Series Z, which bonds mature serially on February 1 of each of the years 2013 to 2024, inclusive.

(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 City, 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 and the principal and redemption premium, if any, on the Bonds as they come 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 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) "System" means the entire Water Supply System of the City, both inside and outside the City, including all plants, works, instrumentalities and properties, used or useful in connection with the collection, treatment and distribution of potable water, as the same now exists, and all enlargements, extensions, repairs and improvements thereto hereafter made.

(r) "Transfer Agent" and "Escrow Agent" means a financial institution qualified to act in such capacity or any successor thereto as designated in the Sales Order.

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

Section 3. Payment of Costs; Bonds Authorized. To pay the costs associated with the refunding of the Prior Bonds to be Refunded, including all financial, legal and other expenses and contingencies incidental thereto and to the issuance and sale of the Bonds and to refund the Prior Bonds to be Refunded, it is hereby determined that the City shall borrow upon the credit of the Revenues of the System, the additional sum of not to exceed Eleven Million Seven Hundred Fifty Thousand Dollars (\$11,750,000), or such lesser amount as determined pursuant to the Sales Order, and that the Bonds be issued therefor, under the provisions of Act 94, the Bonds having equal standing and priority and being equally secured with the Outstanding Bonds. The remaining costs, if any, of refunding the Prior Bonds to be Refunded shall be defrayed from System funds on hand and legally available for such use, including moneys in the debt retirement funds established for the Prior Bonds to be Refunded.

The Bonds shall not be issued unless the refunding of the Prior Bonds to be Refunded will yield a net present value debt service savings of at least 3%, as determined by the Treasurer based upon generally accepted refunding savings analysis methods, with a true interest cost of the Bonds not in excess of 3%.

Except as changed by the provisions of this Ordinance, all the provisions of the Outstanding Ordinances shall apply to the Bonds, the same as though each of said provisions were repeated in this Ordinance, the purpose of this Ordinance being to authorize the issuance of additional Bonds to refund the Prior Bonds to be Refunded, additional bonds of equal standing with the Outstanding Bonds for such purpose being authorized by the provisions of the Outstanding Ordinances, upon the conditions therein stated, which conditions have been fully met.

Section 4. Details of Bonds; Registration and Execution. The Bonds shall be designated WATER SUPPLY SYSTEM REVENUE REFUNDING BONDS, SERIES 2012, and shall be, not general obligations of the City, but revenue bonds, payable solely out of the Net Revenues of the System, as set forth more fully herein, and shall consist of fully registered bonds of the denomination of \$5,000 or multiples thereof not exceeding for each maturity the aggregate principal amount of that maturity, dated as of the date of their issuance and delivery, numbered in direct order of their maturity from 1 upwards, payable on February 1st of each year (as serial bond maturities or annual mandatory redemptions of term bonds as permitted under the form of Notice of Sale contained herein) as follows:

<u>Year</u>	<u>Amount</u>
2013	420,000
2014	1,770,000
2015	1,385,000
2016	1,380,000
2017	1,390,000
2018	685,000
2019	690,000
2020	695,000
2021	690,000
2022	700,000
2023	705,000
2024	705,000

The Treasurer may adjust such maturity schedule and principal amounts prior to sale of the Bonds as required by changes in costs of refunding the Prior Bonds to be Refunded, the principal amount of the Outstanding Prior Bonds selected by the Treasurer (or other Authorized Officer in his absence) to be refunded, the timing of bond issuance, or bond market conditions, within the maximum principal amount of \$11,750,000, and with the final maturity date being not later than February 1, 2024. Additionally, the City shall reserve the right to increase or decrease the aggregate principal amount of the Bonds stated in the notice of sale of the Bonds by not more than \$300,000 after receipt of bids and prior to the award of the Bonds, through adjustments of the principal amount of any one or more maturities selected by the Treasurer (or other Authorized Officer in his absence), provided that such adjustments will be made in increments of \$5,000 not exceeding \$40,000 for any maturity, and subject to the authorized \$11,750,000 maximum aggregate principal amount of the Bonds.

The Bonds shall bear interest at a rate or rates to be determined on public sale thereof, but in any event not exceeding the lesser of 4% per annum, or the maximum rate permitted by law, payable on February 1 and August 1 of each year, commencing February 1, 2013, by check or draft mailed by the Transfer Agent selected by the City to the person or entity which is, as of the 15th day of the month preceding the interest payment date, the registered owner at the registered address as shown on the registration books of the City maintained by the Transfer Agent. The date of determination of the registered owner for purposes of payment of interest as provided in this paragraph may be changed by the City to conform to market practice in the future. The Bonds shall be sold at not less than 99% of their par value, nor more than 102% of their par value.

The Bonds may be issued in book-entry-only form through The Depository Trust Company in New York, New York ("DTC") and the Mayor, City Clerk and Treasurer are severally authorized to execute such custodial or other agreement with DTC as may be necessary to accomplish the issuance of the Bonds in book-entry-only form and to make such changes in the form of Bonds within the parameters of this Ordinance as may be required to accomplish the foregoing.

The Bonds or portions thereof maturing on or after February 1, 2022, may be subject to redemption prior to maturity at the times and prices and in the manner and with notice as set forth in the form of the Bonds and in the form of the Official Notice of Sale for the Bonds set forth in Sections 14 and 17, respectively, of this Ordinance.

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

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

Section 5. Registration and Transfer. Any 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 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 Bonds shall be surrendered for transfer, the City shall execute and the transfer agent shall authenticate and deliver a new Bond or Bonds, 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 Transfer Agent shall not be required (i) to issue, register the transfer of or exchange any 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 Bonds contained in Section 14 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 so selected for redemption in whole or in part, except the unredeemed portion of Bonds being redeemed in part. The City 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, which shall at all times be open to inspection by the City; and, upon presentation for such purpose, the Transfer Agent shall, under such reasonable regulations as it may prescribe, transfer or cause to be transferred, on said books, Bonds as hereinbefore provided.

If any Bond shall become mutilated, the City, at the expense of the holder of the Bond, shall execute, and the Transfer Agent shall authenticate and deliver, a new Bond of like tenor in exchange and substitution for the mutilated Bond, upon surrender to the Transfer Agent of the mutilated Bond. If any Bond issued under this Ordinance shall be lost, destroyed or stolen, evidence of the loss, destruction or theft may be submitted to the Transfer Agent and, if this evidence is satisfactory to both and indemnity satisfactory to the transfer Agent shall be given, and if all requirements of any applicable law including Act 354, Public Acts of Michigan, 1972, as amended ("Act 354"), being sections 129.131 to 129.135, inclusive, of the Michigan Compiled Laws have been met, the City, at the expense of the owner, shall execute, and the Transfer Agent shall thereupon authenticate and deliver, a new Bond of like tenor and bearing the statement required by Act 354, or any applicable law hereafter enacted, in lieu of and in substitution for the Bond so lost, destroyed

or stolen. If any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond the Transfer Agent may pay the same without surrender thereof.

Section 6. Payment of Bonds. The Bonds and the interest thereon shall be payable solely from the Net Revenues, and to secure such payment, there is hereby created a statutory lien upon the whole of the Net Revenues which shall be a first lien 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 Bonds of a series then outstanding, principal and interest on such Bonds to maturity, or, if called for redemption, to the date fixed for redemption together with the amount of the redemption premium, if any. The first lien referred to herein shall be equally shared and be a first priority with the City's Outstanding Bonds which are not being refunded by the Bonds. Upon deposit of cash or Sufficient Government Obligations, as provided in the previous sentence, the statutory lien shall be terminated with respect to that series of Bonds, the holders of that series shall have no further rights under this Ordinance except for payment from the deposited funds, and the Bonds of that series shall no longer be considered to be outstanding under this Ordinance.

Section 7. Bondholders' Rights; Receiver. The holder or holders of the Bonds representing in the aggregate not less than twenty percent (20%) of the entire principal amount thereof then outstanding, may, by suit, action, mandamus or other proceedings, protect and enforce the statutory lien upon the Net Revenues of the System, and may, by suit, action, mandamus or other proceedings, enforce and compel performance of all duties of the officers of the City, including the fixing of sufficient rates, the collection of Revenues, the proper segregation of the Revenues of the System and the proper application thereof. The statutory lien upon the Net Revenues, however, shall not be construed as to compel the sale of the System or any part thereof.

If there is a default in the payment of the principal of or interest on the Bonds, any court having jurisdiction in any proper action may appoint a receiver to administer and operate the System on behalf of the City 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 City more particularly set forth herein and in Act 94.

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

Section 8. Management; Fiscal Year. The operation, repair and management of the System shall be under the supervision and control of the City Council and the Fiscal Year for the System shall commence on July 1 of each year and end on June 30 of the following year. The City may employ such person or persons in such capacity or capacities as it deems advisable to carry on the efficient management and operation of the System. The City may make such rules and regulations as it deems advisable and necessary to assure the efficient management and operation of the System.

Section 9. Rates and Charges. The rates and charges for service furnished by and the use of the System and the methods of collection and enforcement of the collection of the rates shall be those in effect on date even herewith, as the same may be increased from time to time.

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

Section 11. Fixing and Revising Rates. The rates presently in effect in the City are estimated to be sufficient to provide for the payment of the expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the System in good repair and working order, to provide for the payment of the principal of and interest on the Bonds as the same become due and payable, and the maintenance of the reserve therefor and to provide for all other obligations, expenditures and funds for the System required by law and this Ordinance. The rates shall be reviewed not less than once a year in March and shall be fixed and revised from time to time as may be necessary to produce these amounts, and it is hereby covenanted and agreed to fix and maintain rates for services furnished by the System at all times sufficient to provide for the foregoing.

Section 12. Bond Reserve Fund. The Reserve Account in the Bond and Interest Redemption Fund, as established and supplemented by the Outstanding Ordinances shall be maintained in such amounts so that said Bond

Reserve Account shall total a sum equal to the lesser of (a) such amount as is equal to the largest annual principal and interest requirements on the Bonds, (b) 10% of the principal amount of the Bonds, or (c) 125% of the average annual principal and interest requirements on the Bonds. In the event that the amount in said Reserve Account is greater than the lesser of such amounts, such excess amount shall be promptly transferred to the Receiving Fund.

Section 13. Bond Proceeds. The proceeds of sale of the Bonds shall be allocated and used as follows:

First, accrued interest, if any, shall be deposited into the Bond and Interest Redemption Fund established by the Outstanding Ordinances; and

Second, the balance of the proceeds of the Bonds (including net original issue premium, if any), together with moneys transferred by the Treasurer at the time of issuance of the Bonds from the debt retirement funds for the Prior Bonds to be Refunded, shall be deposited in an escrow fund or funds (the "Escrow Fund") consisting of cash and/or investments in direct obligations of or obligations of the principal of and interest on which are unconditionally guaranteed by the United States of America or other obligations the principal of and interest on which are fully secured by the foregoing not redeemable at the option of the issuer in amounts fully sufficient to pay the principal, interest and redemption premiums on all of the Prior Bonds to be Refunded, and shall be used only for such purposes. The Escrow Fund shall be held by an institution appointed by the Treasurer to serve as Escrow Agent (the "Escrow Agent"). The Treasurer (or other Authorized Officer in his absence) is authorized to negotiate and to execute and deliver an Escrow Agreement with such Escrow Agent on behalf of the City, consistent with the provisions of this Ordinance (the "Escrow Agreement"). If deemed necessary or advisable by the Treasurer, the Escrow Fund may consist of two or more separate funds as provided in the Escrow Agreement. The Escrow Agreement shall irrevocably direct the Escrow Agent to take all necessary steps to pay the principal of and interest on the Prior Bonds to be Refunded when due and to call the Prior Bonds to be Refunded for redemption on the first call date, as specified by the Treasurer. The amounts held in the Escrow Fund shall be such that the cash and investments and income received thereon will be sufficient without reinvestment to pay the principal, interest and redemption premiums on the Prior Bonds to be Refunded when due at maturity or by call for redemption as required by the Sales Order. The Escrow Fund shall be dissolved upon the redemption of all outstanding Prior Bonds to be Refunded. The remaining proceeds of the Bonds shall be used to pay the costs of issuance of the Bonds. Any proceeds in excess of the proceeds deposited in the Escrow Fund required for the refunding or to pay costs of issuance shall be deposited in the Bond and Interest Redemption Fund and used to pay interest on the Bonds on the next available interest payment date. Following establishment of the Escrow Fund, any amounts remaining in the debt retirement funds for the Prior Bonds to be Refunded shall be transferred to the Bond and Interest Redemption Fund for the Bonds or shall be transferred to the Escrow Fund.

Section 14. Bond Form. The Bonds shall be in substantially the following form:

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UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF WASHTENAW
CITY OF ANN ARBOR
WATER SUPPLY SYSTEM
REVENUE REFUNDING BOND, SERIES 2012

Interest	Maturity	Date of Original	
<u>Rate</u>	<u>Date</u>	<u>Issue</u>	<u>CUSIP</u>
____%	February 1, 20__	_____	_____, 2012

REGISTERED OWNER: CEDE & CO.
PRINCIPAL AMOUNT:

DOLLARS

The CITY OF ANN ARBOR, COUNTY OF WASHTENAW, STATE OF MICHIGAN (the "Issuer"), for value received, hereby promises to pay, but only out of the hereinafter described Net Revenues of the Issuer's Water Supply System (hereinafter defined) the Principal Amount shown above in lawful money of the United States of America to the Registered Owner shown above, or registered assigns, on the Maturity Date shown above, unless prepaid prior thereto

as hereinafter provided, with interest thereon from the Date of Original Issue shown above or such later date to which interest has been paid, until paid, at the Interest Rate per annum shown above, payable on February 1, 2013, and semiannually thereafter. Principal of this bond is payable upon surrender of this bond at the principal corporate trust office of _____, _____, Michigan or such other Transfer Agent as the Issuer may hereafter designate by notice mailed to the registered owner not less than 60 days prior to the date of any change in Transfer Agent. Interest on this bond is payable by check or draft mailed by the Transfer Agent to the person or entity who is, as of the 15th day of the month preceding the interest payment date, the registered owner of record, at the registered address as shown on the registration books of the Issuer kept by the Transfer Agent.

For the prompt payment of principal and interest on this bond, the Issuer has irrevocably pledged the revenues of the Water Supply System of the Issuer (the "System"), including all appurtenances, extensions and improvements thereto, after provision has been made for reasonable and necessary expenses of operation, maintenance and administration (the "Net Revenues"), and a statutory first lien thereon is hereby recognized and created.

This bond is one of a series of bonds of even date of original issue aggregating the principal sum of \$ _____, issued pursuant to certain ordinances of the Issuer, including Ordinance No. 86, as amended, and Ordinance No. ____ - 12, duly adopted by the City Council of the Issuer, 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 purposes of paying a portion of the costs of refunding the Issuer's Water Supply System Revenue Bonds, Series W, X and Z.

For a complete statement of the revenues from which and the conditions under which this bond is payable, a statement of the conditions under which additional bonds of equal standing as to the Net Revenues may hereafter be issued and the general covenants and provisions pursuant to which this bond is issued, reference is made to the above-described Ordinances. The bonds of this issue are of equal standing and priority of lien as to the Net Revenues with the Issuer's Series W, dated December 1, 1998, Water Supply System Revenue Bonds, Series X, dated May 1, 2002, Water Supply System Revenue Refunding Bonds, Series Y, dated November 5, 2003, Water Supply System Revenue Bonds, Series Z, dated February 1, 2004, Water Supply System Revenue Bonds, Series 2004-A, dated March 25, 2004, and Water Supply System Revenue Refunding Bonds, Series 2005-A, dated June 29, 2005, Water Supply System Revenue Bonds, Series 2008-A, dated April 30, 2008, Water Supply System Revenue Bonds, Series 2010-A, dated January 22, 2010, Water Supply System Revenue Bonds, Series 2011-A, dated April 8, 2011, and Water Supply System Bonds, Series 2011-B, dated September 23, 2011.

Optional Redemption: Bonds of this series maturing in the years 2013 to 2021, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 maturing in the year 2022 and thereafter may be redeemed at the option of the Issuer, in such order as the Issuer shall determine and within any maturity by lot, on any date on or after February 1, 2021, at par plus accrued interest to the date fixed for redemption, without penalty or premium.

[Annual Mandatory Redemption of Term Bonds: The Bonds maturing in the years ____ and ____ are subject to annual mandatory sinking fund redemption, by lot, at par plus accrued interest to the date of redemption, without penalty or premium, on the dates and in the principal amounts as follows: _____]

[The principal amount of Bonds to be redeemed on the dates set forth above shall be reduced, in the order determined by the Issuer, by the principal amount of Bonds which have been previously redeemed or called for redemption (otherwise than as a result of prior annual mandatory redemptions) or purchased or acquired by the Issuer and delivered to the transfer agent for cancellation; provided, that each such Bond has not theretofore been so applied as a credit.]

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

Notice of redemption of any bond or portion thereof shall be given by the Transfer Agent at least thirty (30) days prior to the date fixed for redemption by mail to the registered owner at the registered address shown on the registration books kept by the Transfer Agent. Bonds shall be called for redemption in multiples of \$5,000 and any bond of a denomination of more than \$5,000 shall be treated as representing the number of bonds obtained by dividing the denomination of the bond by \$5,000 and such bond may be redeemed in part. Notice of redemption for a bond redeemed in part shall state that upon surrender of the bond to be redeemed a new bond or bonds in aggregate principal

amount equal to the unredeemed portion of the bonds surrendered shall be issued to the registered owner thereof. No further interest on a bond or portion thereof called for redemption shall accrue after the date fixed for redemption, whether presented for redemption or not, provided funds are on hand with the Transfer Agent to redeem the bond or portion thereof.

This bond is a self-liquidating bond and is not a general obligation of the Issuer and does not constitute an indebtedness of the Issuer within any constitutional or statutory limitation, but is payable, both as to principal and interest, solely and only from the Net Revenues of the System. The principal of and interest on this bond are secured by the statutory lien hereinbefore mentioned.

The Issuer has covenanted and agreed, and does hereby covenant and agree, to fix and maintain at all times while any bonds payable from the Net Revenues of the System shall be outstanding, such rates for service furnished by the System as shall be sufficient to provide for payment of the interest on and the principal of the bonds of this issue and any additional bonds of equal standing as and when the same shall become due and payable, and to create and maintain a bond redemption fund (including a bond reserve account) therefor, to provide for the payment of expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the same in good repair and working order, and to provide for such other expenditures and funds for the System as are required by the Ordinances.

The bonds of this series have not been designated by the Issuer as "qualified tax-exempt obligations" for purposes of the deduction of interest expense by financial institutions under the provisions of Section 265 of the Internal Revenue Code of 1986, as amended.

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

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

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

IN WITNESS WHEREOF, the CITY OF ANN ARBOR, COUNTY OF WASHTENAW, STATE OF MICHIGAN, by its City Council, has caused this bond to be executed with the manual or facsimile signatures of its Mayor and its City Clerk and its corporate seal (or a facsimile thereof) to be impressed or imprinted on this bond, all as of the date of Original Issue.

CITY OF ANN ARBOR
By: _____
Mayor

(Seal)
Countersigned:

City Clerk

CERTIFICATE OF AUTHENTICATION

This Bond is one of the series of Bonds described herein.

_____,
as Bond Registrar and Authenticating Agent
By: _____
Authorized Signatory

Date of Authentication: _____, _____

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers unto _____ this Bond and all rights hereunder and hereby irrevocably appoints _____ attorney to transfer this Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____
Signature

NOTICE: Signature must correspond with the name as it appears upon the face of this bond in every particular.

Signature Guaranteed

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

The Bond Registrar will not effect transfer of this Bond unless the information concerning the assignee requested below is provided:

Name and Address: _____

Soc. Sec. No. or other Tax ID. No.: _____
(include information for all joint owners if the Bond is held by joint account)

Section 15. Tax Matters. 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 Bonds from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"), including, but not limited to, actions relating to any required rebate of arbitrage earnings and the expenditures and investment of Bond proceeds and moneys deemed to be Bond proceeds and to prevent the Bonds from becoming "private activity bonds" as that term is used in Section 141 of the Code.

Section 16. Sale of Bonds; Designation of Transfer Agent; Insurance. The City shall conduct a public sale of the Bonds not less than seven (7) days after publication of the Official Notice of Sale (hereinafter approved) in the manner provided by law. The Bonds may be offered for sale at par, at a discount of not more than 1.0% and at a premium of not more than 2.0%, as shall be designated in the Official Notice of Sale. The other conditions of sale shall be specified in the Official Notice of Sale. The Chief Financial Officer and City Treasurer are each designated to act for the City to receive bids for the purchase of the Bonds and to take all other actions necessary in connection with the sale and delivery of the Bonds. At or at any time after the sale, the Chief Financial Officer or City Treasurer shall either award the Bonds to the lowest bidder in accordance with Act 94 and this Ordinance or shall reject all bids. The Chief Financial Officer and City Treasurer are each authorized to execute and deliver the Sales Order on behalf of the City awarding the Bonds to the bidder whose bid produces the lowest true interest cost as determined in the manner provided in the Notice of Sale, subject to compliance with the bond issuance parameters set forth in Section 3 of this Ordinance. The City Administrator, Chief Financial Officer, Mayor, Treasurer, City Clerk and City Attorney are each authorized to do all other acts and take all other necessary procedures required to effectuate the sale, issuance and delivery of the Bonds. The Chief Financial Officer and City Treasurer are each authorized to apply for and purchase municipal bond insurance to insure the payment of principal of and interest on the Bonds, if deemed appropriate by the Chief Financial Officer and the City Treasurer. In the event such a policy is issued, this Ordinance be and is hereby amended to comply with the provisions of said policy respecting notice, payment and such other insurance provisions as are applicable to the Bonds and may be lawfully complied with by the City. The Treasurer shall appoint the Transfer Agent at the time of the award of the Bonds pursuant to the Sales Order. The Transfer Agent shall perform all payment, registration, transfer, exchange and other functions otherwise required by this Ordinance to be performed by the Transfer Agent.

Section 17. Form of Notice of Sale. The Treasurer is authorized to fix the date of the sale of the Bonds and to publish the Official Notice of Sale in accordance with law, once in The Bond Buyer at least seven (7) days before the date fixed for receipt of bids for the purchase of the Bonds. The Official Notice of Sale shall be in substantially the following form with such additions, deletions and other changes as are not inconsistent with this Ordinance and are approved by the Treasurer:

OFFICIAL NOTICE OF SALE

\$ _____

CITY OF ANN ARBOR
WASHTENAW COUNTY, MICHIGAN
WATER SUPPLY SYSTEM REVENUE REFUNDING BONDS, SERIES 2012

SEALED, FAX OR ELECTRONIC BIDS: Sealed bids for the purchase of the issue of bonds described below of the aggregate par value of \$ _____ to be issued by the City of Ann Arbor, Washtenaw County, Michigan ("City"), will be received by the undersigned at the office of the City Treasurer, at 301 E. Huron Street, Ann Arbor, Michigan 48107, until ____ o'clock, P.M., Eastern Standard Time, on _____, the ____ day of _____, 2012, at which time and place such 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 office of the Municipal Advisory Council of Michigan ("MAC"), Buhl Building, 535 Griswold, Suite 1850, Detroit, Michigan 48226, where they will be publicly opened and read. Bids opened at Ann Arbor, Michigan will be read first, followed by those opened at the alternate location. Bidders may choose either location to present bids, but not both locations.

The Treasurer of the City will consider and determine the award or rejection of bids prior to 5:00 o'clock, P.M., Eastern Standard Time, on that date.

Signed bids may be submitted by fax by MAC members to the MAC at fax number (313) 963-0943 and by other bidders to the City at fax number (734) 994-2777, Attention: Treasurer; provided that faxed bids must arrive before the time of sale and the bidder bears all risks of transmission failure.

Electronic bids will also be received on the same date and until the same time by Bidcomp/Parity as agent of the undersigned. Further information about Bidcomp/Parity, including any fee charged, may be obtained from Bidcomp/Parity, Eric Washington or Client Services, 1359 Broadway, Second Floor, New York, New York 10018, (212) 849-5021. IF ANY PROVISIONS OF THIS NOTICE OF SALE SHALL CONFLICT WITH INFORMATION PROVIDED BY BIDCOMP/PARITY, AS THE APPROVED PROVIDER OF ELECTRONIC BIDDING SERVICES, THIS NOTICE OF SALE SHALL CONTROL.

GOOD FAITH DEPOSIT MUST BE MADE AND RECEIVED following award of the bonds as described in the section captioned "Good Faith Deposit" below.

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 disbursement to the Beneficial Owners.

BOND DETAILS: The bonds shall be known as "Water Supply System Revenue Refunding Bonds, Series 2012" and shall aggregate the principal sum of \$ _____. The bonds will be fully registered bonds in any denomination of \$5,000 or multiples thereof up to the amount of a single maturity, dated the date of their delivery, numbered from 1 upwards, and will bear interest from their date payable on February 1, 2013, and semi-annually thereafter. The bonds shall mature on February 1, in the years and principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2013	420,000
2014	1,770,000
2015	1,385,000
2016	1,380,000
2017	1,390,000
2018	685,000
2019	690,000
2020	695,000
2021	690,000
2022	700,000
2023	705,000
2024	705,000

TERM BOND OPTION: The initial purchaser of the Bonds may designate any one or more maturities as term bonds and the consecutive maturities which shall be aggregated in any such term bonds. 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. Any such designation must be made within 24 hours of the bond sale. The amounts of the maturities which are aggregated in any such designated term bond shall be subject to mandatory redemption on February 1 of the years and in the amounts as set forth in the foregoing maturity schedule at a redemption price of par, plus accrued interest, to the date of mandatory redemption.

ADJUSTMENTS TO MATURITY SCHEDULE AND PURCHASE PRICE FOLLOWING SALE: The City reserves the right to increase or decrease the aggregate principal amount of the bonds by not more than \$300,000 after receipt of bids and prior to the award of the bonds, through adjustments of the principal amount of any one or more maturities selected by the City, provided that such adjustments will be made in increments of \$5,000 not exceeding \$40,000 for any maturity, and subject to a maximum aggregate principal amount of the bonds of \$11,750,000. In the case of any such adjustments, the purchase price of the bonds submitted by the bidder to whom the bonds are to be awarded will be adjusted proportionately to the adjustment in the principal amount of the bonds and in such manner as to maintain as comparable an underwriter spread as possible to that contained in the bid.

OPTIONAL REDEMPTION: The Bonds maturing in the years 2013 through 2021, inclusive, shall not be subject to optional redemption prior to maturity. Bonds maturing on and after February 1, 2022 shall be subject to redemption prior to maturity, at the option of the City, in any order, in whole or in part, on any one or more dates on and after February 1, 2021, at par plus accrued interest to the date fixed for redemption, without premium or penalty.

With respect to partial redemptions, any portion of a Bond outstanding in a denomination larger than the minimum authorized denomination may be redeemed provided such portion and the amount not being redeemed each constitutes an authorized denomination. In the event that less than the entire principal amount of a Bond is called for redemption, upon surrender of the Bond to the Bond Registrar, the Bond Registrar shall authenticate and deliver to the registered owner of the Bond a new Bond in the principal amount of the principal portion not redeemed.

Notice of redemption shall be sent to the registered holder of each Bond being redeemed by first class mail at least thirty (30) days prior to the date fixed for redemption, which notice shall fix the date of record with respect to the redemption if different than otherwise provided herein. Any defect in such notice shall not affect the validity of the redemption proceedings. Bonds so called for redemption shall not bear interest after the date fixed for redemption provided funds are on hand with the Bond Registrar to redeem the same.

INTEREST RATE AND BIDDING DETAILS: Bonds will bear interest at a rate or rates not exceeding 4.0% per annum, to be fixed by the bids therefor, expressed in multiples of 1/8 or 1/20 of 1%, or both. THE RATE OF INTEREST BORNE BY ANY ONE MATURITY OF BONDS SHALL NOT BE LESS THAN THE INTEREST RATE BORNE BY THE PRECEDING MATURITY, AND SHALL NOT EXCEED THE INTEREST RATE BORNE BY ANY PRECEDING MATURITY BY MORE THAN 2.0%. The interest on any one bond shall be at one rate only, and all bonds maturing in any one year must carry the same interest rate. No proposal for the purchase of less than all of the Bonds or at a price less than 99% of their par value nor more than 102% of their par value will be considered. See "ADJUSTMENTS TO MATURITY SCHEDULE AND PURCHASE PRICE FOLLOWING SALE."

TRANSFER AGENT AND REGISTRATION: Principal and interest shall be payable at the principal corporate trust office of _____, _____, Michigan, or such other transfer agent as the City may thereafter designate by notice mailed to the registered owner not less than 60 days prior to any change in transfer agent and which shall be qualified to serve as such in Michigan. Interest shall be paid when due by check or draft mailed to the owner as shown by the registration books of the City as of the 15th 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 transfer agent. See "DTC Book-Entry Only" above.

PURPOSE AND SECURITY: The bonds are issued under the provisions of Act 94, Public Acts of Michigan, 1933, as amended (the "Act"), and various ordinances of the City, including Ordinance Nos. 86, as amended, and ___ - 08 (the "Ordinances"), for the purpose of refunding outstanding revenue bonds of the City issued under the Act for the City's Water Supply System (the "System"). The bonds are payable solely from the net revenues of the System and any additions thereto, and a statutory first lien on said revenues has been established by said Ordinances. The bonds and said lien are of equal standing with the following series of Water Supply System Revenue Bonds: [Water Supply System Revenue and Refunding Bonds, Series W, dated December 1, 1998, Water Supply System Revenue Bonds, Series X, dated May 1, 2002], Water Supply System Revenue Refunding Bonds, Series Y, dated November 5, 2003, [Water Supply System Revenue Bonds, Series Z, dated February 1, 2004], Water Supply System Revenue Bonds, Series 2004-A, dated March 25, 2004, and Water Supply System Revenue Refunding Bonds, Series 2005-A, dated June 29, 2005, Water

Supply System Revenue Bonds, Series 2008-A, dated April 30, 2008, Water Supply System Revenue Bonds, Series 2010-A, dated January 22, 2010, Water Supply System Revenue Bonds, Series 2011-A, dated April 8, 2011, and Water Supply System Bonds, Series 2011-B, dated September 23, 2011. 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 of operation, maintenance and administration of the System, of the principal and interest on all of said bonds when due, to create and maintain a bond reserve account therefor, and to provide for such other expenditures and funds for the System as are required by said Ordinances.

The rights or remedies of bondholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally now existing or hereafter enacted and by the application of general principles of equity including those relating to equitable subordination.

ADDITIONAL BONDS: For the terms upon which additional bonds of equal standing with the bonds of this issue as to revenues of the System may be issued reference is made to the above described Ordinances.

GOOD FAITH DEPOSIT: A deposit in the amount of 2% of the final principal amount of the bonds is required as a guarantee of good faith on the part of the bidder, to be delivered to the Treasurer of the City in the form of a cashier's check (or wire transfer of such amount as instructed by the City or its financial advisor) by Noon Eastern Standard Time of the next business day following the sale, to be forfeited as liquidated damages if such bid be accepted and the bidder fails to take up and pay for the bonds. The good faith deposit will be applied to the purchase price of the bonds. No interest shall be allowed on the good faith deposit. Payment for the balance of the purchase price of the bonds shall be made on the delivery date.

AWARD OF BONDS: The Bonds will be awarded to the bidder whose bid produces the lowest true interest cost determined in the following manner: the lowest true interest cost will be the single interest rate (compounded on February 1, 2013 and semi-annually thereafter) necessary to discount the debt service payments from their respective payment dates to _____ 1, 2012 in an amount equal to the price bid.

LEGAL OPINION: Bids shall be conditioned upon the unqualified approving opinion of Dykema Gossett PLLC, attorneys of Bloomfield Hills, Michigan, and the original of which will be furnished without expense to the purchaser of the bonds at the delivery thereof. The fees of Dykema Gossett PLLC 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, Dykema Gossett PLLC has not examined or reviewed any financial information, statements or material contained in any financial documents, statements or material that have been or may be furnished in connection with the authorization, issuance or marketing of the bonds, and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial information, statements or materials.

CUSIP NUMBERS: CUSIP numbers will be imprinted on the bonds at the City's expense. The printing of incorrect CUSIP numbers or the failure to print CUSIP numbers on the bonds shall not constitute cause for the purchaser to refuse delivery of or to pay for the bonds. The purchaser shall be responsible for requesting assignment of numbers and for the payment of any charges for the assignment of numbers.

DELIVERY OF BONDS: The City will furnish bonds ready for execution at its expense. Bonds will be delivered at the principal office of the Bond Registrar, or any other place mutually agreeable, at the expense of the City. 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 delivery of the bonds. If the bonds are not tendered for delivery by twelve o'clock noon, Eastern Standard Time, on the 45th day following the date of sale, or the first business day thereafter if said 45th 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 written notice of cancellation on the undersigned, in which event the City shall promptly return the good faith deposit. Payment for the bonds shall be made in Federal Reserve Funds. The bonds will be delivered in the form of a single certificate for each maturity registered as described above under "DTC Book-Entry Only." The successful bidder will be required to furnish, prior to and as a condition to the delivery of the bonds, in forms to be prepared by bond counsel: (i) a certificate as to the "issue price" of the bonds within the meaning of section 1273 of the Internal Revenue Code of 1986, as amended, and (ii) if the successful bidder obtains a municipal bond insurance policy or other credit enhancement for the bonds in connection with their original issuance, a certificate that the premium therefor will be less than the present value of the interest expected to be saved as a result of such insurance or other credit enhancement.

TAX MATTERS: The approving opinion of bond counsel will include an opinion to the effect that, under existing law,

assuming compliance by the City with certain covenants, (i) interest on the bonds is excluded from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (provided that certain corporations must take into account interest on the bonds in determining adjusted current earnings for the purpose of computing such alternative minimum tax). Such opinion will further state that under existing law the bonds and the interest thereon are exempt from all taxation provided by the laws of the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

NOT QUALIFIED TAX EXEMPT OBLIGATIONS: The bonds have NOT been designated as “QUALIFIED TAX-EXEMPT OBLIGATIONS” for purposes of the deduction of interest expense by financial institutions.

OFFICIAL STATEMENT: A copy of the Official Statement may be obtained by contacting Stauder, BARCH & ASSOCIATES, Inc., Financial Consultant to the City, 3989 Research Park Drive, Ann Arbor, Michigan 48108, telephone 734-668-6688.

The Official Statement is in a form deemed final as of its date by the City for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion of a final Official Statement. The successful bidder shall supply to the City, within 24 hours after the award of the bonds, all pricing information and any underwriter identification determined by the City to be necessary to complete the Official Statement.

The City will furnish to the successful bidder, at no cost, a reasonable number of copies of the final Official Statement within seven (7) business days after the award of the bonds. Additional copies will be supplied upon the bidder's agreement to pay the cost of the City for those additional copies. Requests for additional copies should be made to the City's Financial Consultant listed below within 24 hours after the award.

The City shall deliver, at closing, an executed certificate to the effect that as of the date of delivery 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: The City has undertaken to provide continuing financial disclosure (annual financial information and operating data, including audited financial statements for the preceding fiscal year consistent with the information presented in the Official Statement), and to provide timely notice of the occurrence of certain material events with respect to the Bonds, all in accordance with the requirements of SEC Rule 15c2-12.

BOND INSURANCE AT PURCHASER'S OPTION: If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the bidder/purchaser, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay the fee for the requested rating. Any other rating agency fees 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.**

ADDITIONAL INFORMATION: Further information may be obtained from the City's Financial Advisor, Stauder BARCH & ASSOCIATES, Inc. at the hereinbefore stated address.

THE RIGHT IS RESERVED TO REJECT ANY OR ALL BIDS

ENVELOPES: Envelopes containing the bids should be plainly marked “Proposal for City of Ann Arbor Water Revenue Refunding Bonds”.

Beaudry, City Clerk

Jacqueline

City of Ann Arbor

Section 18.

Not Qualified Tax-Exempt Obligations. The Bonds shall not be designated as “qualified tax-exempt obligations” for purposes of deduction of interest expense by financial institutions under the provisions of Section 265(b)(3)(B) of the Code.

Section 19. Continuing Disclosure. The City shall provide continuing financial disclosure to the extent required by Securities and Exchange Commission Rule 15c2-12 (the “SEC Rule”) during the term of the Bonds, and shall execute a continuing disclosure undertaking pursuant to the Rule (the “Undertaking”). The Authorized Officers are, and each hereby is, authorized and directed to execute the Undertaking on behalf of the City and to take all necessary action and to execute and deliver such documents as may be required to satisfy the City’s obligations under the Undertaking, including any appropriate supplements thereto.

Section 20. 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 redemption, the principal of, premium, if any, and interest on the bonds, shall be deposited in trust, this Ordinance shall be defeased and the owners of the bonds shall have no further rights under this Ordinance except to receive payment of the principal of, premium, if any, and interest on the bonds from the cash or securities deposited in trust and the interest and gains thereon and to transfer and exchange bonds as provided herein.

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 Washtenaw County Legal News, a newspaper of general circulation in the City, qualified under State law to publish legal notices, promptly after its adoption, and shall be recorded in the Ordinance Book of the City, and such recording authenticated by the signatures of the Mayor and City Clerk.

Section 23. Other Matters. The Authorized Officers are each authorized and directed to (a) execute and deliver such other certificates, documents, instruments and other papers as may be necessary or convenient to effectuate the valid sale and delivery of the Bonds as tax-exempt bonds in accordance with the terms hereof, and as may be necessary or incidental to the refunding of the Prior Bonds to be Refunded, (b) file with the Michigan Department of Treasury a Security Report with respect to the Bonds on a timely basis, together with requests for such waivers and approvals as each shall deem necessary or appropriate, and (c) approve the circulation of a preliminary official statement describing the Bonds and to deem the preliminary official statement “final” for purposes of the SEC Rule.

Section 24. Savings Clause. The Outstanding Ordinances shall continue in effect, except as specifically supplemented or altered herein.

Section 25. Effective Date. Pursuant to the provisions of Section 6 of Act 94, this Ordinance shall be approved on the date of first reading and accordingly this Ordinance shall immediately be effective upon its adoption.

Adopted and signed this 19th day of March, 2012.

Signed _____
John Hieftje , Mayor

Signed _____
Jacqueline Beaudry, City Clerk

I hereby certify that the foregoing constitutes a true and complete copy of an Ordinance duly adopted by the City Council of the City of Ann Arbor, County of Washtenaw, Michigan, at a Regular Meeting held on the 19th day of March,

2012, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.

I further certify that the following Councilmembers were present at said meeting: Councilmembers Smith, Teall, Derezhinski, Taylor, Kunselman, Higgins, Anglin and Mayor Hieftje, (8) and that the following Councilmembers were absent: Councilmembers Lumm, Teall and Hohnke, (3).

I further certify that Councilmember Anglin moved adoption of said Ordinance, and that said motion was supported by Councilmember Kunselman.

I further certify that the following Councilmembers voted for adoption of said Ordinance: Councilmembers Smith, Teall, Derezhinski, Taylor, Kunselman, Higgins, Anglin and Mayor Hieftje, (8) and that the following Councilmembers voted against adoption of said Ordinance: (0).

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

Signed _____
Jacqueline Beaudry, City Clerk