



COUNTY ADMINISTRATOR
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TO: Felicia Brabec, Chair
Ways and Means Committee

THROUGH: Verna J. McDaniel
County Administrator

FROM: Evan Pratt, Water Resources Commissioner

DATE: June 4, 2014

SUBJECT: Malletts Creek Springwater Sub Drain Project

BOARD ACTION REQUESTED:

Washtenaw County Office of the Water Resources Commissioner recommendation for County Board of Commissioners' approval to pledge the County's limited full faith and credit for payment of bonds for the Malletts Creek Springwater Sub Drain Project in an amount not to exceed six hundred fifty thousand (\$650,000.00) dollars. Bonds will be retired through special assessments against the following:

City of Ann Arbor

BACKGROUND:

Section 280.434 of the Michigan Drain Code authorizes the Water Resources Commissioner to borrow funds on behalf of drainage districts and the Board of Commissioners to pledge its Full Faith and credit to back such borrowings upon approval of two-thirds of its membership.

DISCUSSION:

The Washtenaw County Water Resources Commissioner was petitioned by the City of Ann Arbor to undertake improvements to County Drains known as Malletts Creek Springwater Sub Drain Project for the Design and Construction of Stormwater Management Control Measures in the Springwater Subdivision located in the City of Ann Arbor.

State Revolving Loan funds are financing stormwater improvements at 2.5% over 20 years. All principal and interest payments will be assessed to the drainage district. In this case, the City of Ann Arbor receives 100% of the assessment.

IMPACT ON HUMAN RESOURCES:

None

IMPACT ON BUDGET:

None

IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES:

None

CONFORMITY TO COUNTY POLICIES:

County policy requires approval by two-thirds of the members of the Board of Commissioners for pledge of full faith and credit for financing of drainage district projects.

ATTACHMENTS:

- BOC Resolution
- Bond Resolution

COUNTY OF WASHTENAW

At a _____ meeting of the Board of Commissioners of the County of Washtenaw, Michigan (the "County") held at the Washtenaw County Commissioners' Chambers, Washtenaw County Administration Building, Ann Arbor, Washtenaw County, Michigan (the "County") on _____, 2014 at __:__ o'clock __.m., Eastern Daylight Savings Time there were:

PRESENT: _____

ABSENT: _____

The following preamble and resolution were offered by Comm. _____ and second by Comm. _____:

**RESOLUTION PLEDGING THE FULL FAITH AND CREDIT OF THE
COUNTY OF WASHTENAW, WITHIN CONSTITUTIONAL LIMITATIONS,
FOR THE PAYMENT OF THE BOND OF THE
MALLETTS CREEK DRAIN DRAINAGE DISTRICT
DESCRIBED IN THE BOND RESOLUTION
ATTACHED TO THIS RESOLUTION**

WASHTENAW COUNTY BOARD OF COMMISSIONERS

_____, 2014

WHEREAS, the Washtenaw County Water Resources Commissioner (the "Commissioner") has completed the necessary proceedings for making certain improvements in the MALLETTS CREEK DRAIN DRAINAGE DISTRICT (the "District") which will involve the improvement of a storm drain within the City of Ann Arbor designated as the Malletts Creek Springwater Sub Drain Project (the "Project"); and

WHEREAS, the Drainage Board for the District has approved a "Amended Bond Resolution" in the form attached hereto authorizing the issuance of not to exceed \$650,000 in a Bond (the "Bond") with interest at a rate not to exceed the rate of 6% per annum pursuant to Chapter 20 of Act No. 40, Michigan Public Acts of 1956 as amended (the "Drain Code"), maturing finally no later than October 1, 2036 (depending on the construction of the Project), a copy of which is attached to this resolution; and

WHEREAS, the estimated cost of the Project is \$650,000 which has been apportioned against the City of Ann Arbor (the "Public Corporation"), all pursuant to the Drain Code; and

WHEREAS, to defray part of the cost of the Project, the Water Resources Commissioner, on behalf of the District, proposes to issue up to \$650,000 principal amount of a bond of the District, and to pledge the full faith and credit of the Drainage District, to be designated as set forth in the title of this

resolution (the "Bond"), with interest at the rate of not more than 6% per annum, pursuant to the Drain Code. The maturity dates and amounts are estimated as follows:

<u>Maturing</u> <u>October 1</u>	<u>Amount</u>
2015	\$25,000.00
2016	25,000.00
2017	25,000.00
2018	25,000.00
2019	30,000.00
2020	30,000.00
2021	30,000.00
2022	30,000.00
2023	30,000.00
2024	30,000.00
2025	35,000.00
2026	35,000.00
2027	35,000.00
2028	35,000.00
2029	35,000.00
2030	35,000.00
2031	40,000.00
2032	40,000.00
2033	40,000.00
2034	40,000.00
Total	<u>\$650,000.00</u>

WHEREAS, the Bond is to be made payable out of the assessments against the City of Ann Arbor assessed pursuant to the Drain Code; and

WHEREAS, the Board of Commissioners, pursuant to said Drain Code, is authorized by vote of two-thirds of its members to pledge its full faith and credit of the County of Washtenaw for the payment of the Bond, within constitutional limitations;

NOW THEREFORE BE IT RESOLVED as follows:

1. The limited tax full faith and credit of the County is hereby pledged for the prompt payment of the principal of and interest on the Bond. In case of any deficiency in the assessments to be made to pay the principal of and interest on the Bond as and when due, the County shall pay the amount of such deficiency out of its general funds as a first budget obligation and, if necessary, shall levy ad valorem taxes for such purposes against all taxable property within its limits, subject to constitutional and statutory limitations provided, however, that if it is necessary to reimburse the County for money it is obligated to advance, it shall be the duty of the Commissioner to at once levy an additional assessment as herein before provided as such an amount as will make up the deficiency pursuant to the Drain Code, Section 280, M.C.L. 280.280.

2. If required to do so, the County Water Resources Commissioner is authorized and directed to:

- (a) apply to the Municipal Finance Division of the Michigan Department of Treasury for approval of the sale of the Bond;
- (b) file with such application all required supporting material; and
- (c) pay all fees required in connection therewith.

3. All previous resolutions of the Board of Commissioners of the County, or parts thereof, that are inconsistent with this resolution are hereby rescinded.

The results of a roll-call vote on the foregoing resolution were as follows:

YES: _____

NO: _____

ABSENT: _____

THE RESOLUTION WAS THEREUPON DECLARED ADOPTED

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COUNTY CLERK'S CERTIFICATE

The undersigned, being the duly qualified and acting Clerk of the County of Washtenaw, Michigan, hereby certifies that the foregoing is a true and complete copy of a resolution adopted by the Board of Commissioners at a regular meeting held on _____, 2014, at which meeting a quorum was present and remains throughout, (2) the original thereof is on file in the records the proceedings of the Board of Commissioners in my office; the meeting was conducted, and public notice thereof was given pursuant to and in full compliance with the Open Meetings (Act No. 267, Public Acts of Michigan, 1976, as amended) and minutes of such meetings were kept and will be or have been made available as thereby required.

Lawrence Kestenbaum
County Clerk/Register

[SEAL]

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BOND RESOLUTION

WHEREAS, the Drainage Board (the "Board") for the Malletts Creek Drain Drainage District (the "District"), by resolution, has approved the cleaning out, widening, deepening, straightening, extending, tiling, interconnecting or otherwise improve the intracounty drain designated by the Board as the "Malletts Creek Springwater Sub Drain Project" (the "Project") for the purpose of providing storm drainage to the District which lies wholly within the City of Ann Arbor, County of Washtenaw (the "County"), Michigan; and

WHEREAS, pursuant to a resolution of the Board, the following Public Corporation has been apportioned the cost to establish, locate, acquire, construct and finance the Project and has been assessed by the Board in the amounts set forth all as follows:

Total Amount of Assessment:	\$650,000
Name of Public Corporation To be Assessed	City of <u>Ann Arbor</u>
Percentage Apportioned to Public Corporation to be Assessed:	100%
Amount of Assessment against Public Corporation Based Upon Percentage of Apportionment:	\$650,000
Amount to be Collected in Installments:	\$650,000

WHEREAS, the Board desires to issue a bond of the District in the maximum aggregate principal amount of \$650,000 in anticipation of the payment of such assessments against the City of Ann Arbor (the "Public Corporation"), all pursuant to Chapter 20 of Act No. 40, Michigan Public Acts of 1956, as amended (the "Act"); and

WHEREAS, the several installments of principal of and interest on the assessment roll made by this Board will not be less than the semiannual principal and interest due on such bond;

NOW, THEREFORE, IT IS RESOLVED as follows:

1. Bond Size. A Bond of the District in the aggregate principal amount of not to exceed \$650,000 shall, as provided below, be sold to the Michigan Finance Authority (the "Authority") through its State Revolving Fund Loan Program.

2. Definitions. In addition to other terms defined in this Resolution, whenever used in this Resolution, except when otherwise indicated by the context, the following terms shall have the following meanings:

a. "Act" means Act No. 40 of the Public Acts of Michigan of 1956, as amended.

b. "State Authority" and "Authority" shall mean the Michigan Finance Authority created under Executive Reorganization Order E.R.O No. 2010-2 Act No. 227 of the Public Acts of Michigan of 1985.

c. "Bond" means the Malletts Creek Drain Drainage District, Malletts Creek Springwater Sub Drain Project Bond (Limited Tax General Obligation), Series 2014 of the District in such principal amount as shall be delivered pursuant to the Purchase Contract authorized by this Resolution.

d. "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 District, 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 Bond and the principal and redemption premium, if any, on the Bond as it comes due whether on the stated maturity date or upon earlier redemption. Securities representing such obligations shall be placed in trust with a bank or trust company, and if the Bond is to be called for redemption prior to maturity, irrevocable notice to call the Bond for redemption shall be given to the paying agent.

e. "Purchase Contract" shall mean a Purchase Contract and Supplemental Agreement.

3. Bond Details. The Bond hereby authorized shall be designated Malletts Creek Drain Drainage District, Malletts Creek Springwater Sub Drain Project Bond (Limited Tax General Obligation), Series 2014 or in any other manner requested by the Authority and approved by the Chair of the Drainage Board, shall be dated as of the date of delivery, shall consist of a single fully-registered bond, and shall be payable in the years and amounts as shown on the Form of Bond attached to this Bond Resolution all in accordance with a certain Purchase Contract, in

the general form attached hereto as Appendix A (the "Purchase Contract").

The Bond shall bear interest from the date such principal is disbursed by the State Authority to the District at such rate per annum as shall be agreed to not in excess of six percent (6%) per annum, payable on such dates as shall be provided in the final Bond. It is expected that principal will be disbursed in more than one installment and each installment of principal disbursed will bear interest from the date of disbursement as noted by the State Authority on the date of disbursement.

Principal of and interest on the Bond shall be payable, and principal of the Bond will be subject to prepayment prior to maturity, in the manner and at the times provided in the form of Bond set forth in paragraph 17 of this Bond Resolution. The actual debt retirement schedule shall be set forth in the Purchase Contract.

4. Source of Repayment. The Bond shall be issued in anticipation of, and is payable primarily from, the collection of special assessments assessed against the City of Ann Arbor, the public corporation on the Special Assessment Roll for the Malletts Creek Springwater Sub Drain Project. The assessments are general obligations of the public corporation. The full faith and credit of the Malletts Creek Drain Drainage District has been pledged for the prompt payment of the principal and interest on this bond as the same shall become due, and, in addition, the full faith and credit of the County of Washtenaw will be pledged therefor. Taxes imposed by the public corporation are subject to constitutional tax rate limitations.

5. Reduction in Aggregate Amount of Issue. In the event the Purchase Contract shall call for delivery of bonds less than \$650,000, the Chair of the Drainage Board shall reduce the principal amount of the Bond and restructure the maturities thereof in accordance with the Purchase Contract.

6. Paying Agent and Bond Registrar. The Water Resources Commissioner of the County shall act as Paying Agent and Bond Registrar.

7. Transfer or Exchange of Bond. The Bond shall be transferable only as set forth in the Bond Form shown in paragraph 17 of this Bond Resolution.

8. Execution and Delivery. The bond shall be executed in the name of the Drainage District by the manual or facsimile signatures of the Chair and at least one other member of the Drainage Board (if facsimile signatures are used the bond shall be authenticated by the manual signature of an authorized representative of the bond registrar and paying agent; if manual signatures are used no authentication is necessary), and the seal

of the Drainage District or a facsimile thereof, shall be impressed or imprinted on the bond. When so executed, the Bond shall be delivered to the Chair of the Drainage Board, who thereafter shall deliver the same to the Authority.

9. Bond Payment Fund. The District shall establish a separate fund to be designated "Malletts Creek Springwater Sub Drain Project Bond Payment Fund" (the "Bond Payment Fund"). All accrued interest and premium, if any, received from the purchaser of the Bond shall be deposited in the Bond Payment Fund.

Moneys in the Bond Payment Fund shall be used solely to pay principal of and premium, if any, and interest on the Bond.

Moneys in the Bond Payment Fund may be continuously invested and reinvested in any legal investment for District funds, which shall mature, or which shall be subject to redemption by the holder thereof not later than, the dates when moneys in the Bond Payment Fund will be required to pay the principal of and interest on the Bond. Obligations purchased as an investment of moneys of the Bond Payment Fund shall be deemed at all times to be a part of such fund, and the interest accruing thereon and any profit realized from such investment shall be credited to such fund.

All collections of installments of the assessments against the public corporation assessed (including principal and interest) on the Special Assessment Roll for the Malletts Creek Springwater Sub Drain Project shall be placed in the Bond Payment Fund and shall be used solely to pay the principal and interest on the bond authorized herein.

10. Project Fund. Except for amounts required by this resolution to be deposited in the Bond Payment Fund, the proceeds from the sale of the Bond shall be deposited in a separate fund to be designated "Malletts Creek Springwater Sub Drain Project Fund" (the "Project Fund").

Moneys at any time in the Project Fund shall be used solely to pay costs of the Project or to reimburse the District for any costs of the Project paid before the Bond is delivered, except that upon payment (or provision for payment) in full of the costs of the Project any excess moneys remaining in the Project Fund shall be transferred to the Bond Payment Fund (if a Bond is outstanding) or applied as required by law.

Moneys in the Project Fund may be continuously invested and reinvested in any legal investment for District funds, which shall mature, or which shall be subject to redemption by the holder thereof not later than, the estimated dates when moneys in the Project Fund will be required to pay costs of the Project. Obligations purchased as an investment of moneys in the Project Fund shall be deemed at all times to be a part of the Project

Fund, and the interest accruing thereon and any profit realized from such investment shall be credited to such fund.

11. Mutilated, Lost, Stolen, or Destroyed Bonds. Subject to Act No. 354, Public Acts of Michigan, 1972, as amended and any other applicable laws, in the event any bond is mutilated, lost, stolen or destroyed, the Chair of the Drainage Board and any other member of the Drainage Board may, on behalf of the District, execute and deliver, or order the Bond Registrar to authenticate and deliver, a new bond having a number not then outstanding, of like date, maturity, interest rate and denomination as that mutilated, lost, stolen, or destroyed.

In the case of a mutilated bond, a replacement bond shall not be delivered unless and until such mutilated bond is surrendered to the Bond Registrar. In the case of a lost, stolen, or destroyed bond, a replacement bond shall not be delivered unless and until the District and the Bond Registrar shall have received the following: (i) a bond of indemnity as required by Act 354; (ii) an affidavit of the registered owner (or his or her attorney) setting forth ownership of the bond lost, stolen or destroyed and the circumstances under which it was lost, stolen, or destroyed; (iii) the agreement of the owner of the Bond (or his or her attorney) to fully indemnify the District and the Bond Registrar against loss due to the lost, stolen, or destroyed bond and the issuance of any replacement bond in connection therewith; and (iv) the agreement of the owner of the Bond (or his or her attorney) to pay all expenses of the District and the Bond Registrar in connection with the replacement, including the transfer and exchange costs which otherwise would be paid by the District.

12. Arbitrage and Tax Covenants. Notwithstanding any other provision of this Resolution, the District covenants that it will not at any time or times:

(a) Permit any proceeds of the Bond or any other funds of the District or under its control to be used directly or indirectly (i) to acquire any securities or obligations, the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), or (ii) in a manner which would result in the exclusion of any Bond from the treatment afforded by Section 103(a) of the Code by reason of the classification of any Bond as a "private activity bond" within the meaning of Section 141(a) of the Code, as a "private loan bond" within the meaning of Section 141(a) of the Code or as an obligation guaranteed by the United States of America within the meaning of Section 149(b) of the Code; or

(b) Take any action, or fail to take any action (including failure to file any required information or other returns with the United States Internal Revenue Service or

to rebate amounts to the United States, if required, at or before the time or times required), within its control which action or failure to act would (i) cause the interest on the Bond to be includible in gross income for federal income tax purposes, cause the interest on the Bond to be includible in computing any alternative minimum tax (other than the alternative minimum tax applicable to interest on all tax-exempt obligations generally) or cause the proceeds of the Bond to be used directly or indirectly by an organization described in Section 501(c)(3) of the Code, or (ii) adversely affect the exemption of the Bond and the interest thereon from State of Michigan income taxation.

13. Defeasance or Redemption of Bond. If at any time,

- (a) the whole amount of the principal of and interest on any outstanding bond shall be paid, or
- (b) (i) sufficient moneys, or Government Obligations (as defined in this section) not callable prior to maturity, the principal of and interest on which when due and payable will provide sufficient moneys, to pay the whole amount of the principal of and premium, if any, and interest on any outstanding bond as and when due at maturity or upon redemption prior to maturity shall be deposited with and held by a trustee or an escrow agent for the purpose of paying the principal of and premium, if any, and interest on such bond as and when due, and (ii) in the case of redemption prior to maturity, any outstanding bond shall have been duly called for redemption (or irrevocable instructions to call such bond for redemption shall have been given)

then, at the time of the payment referred to in clause (a) of this Section or of the deposit referred to in clause (b) of this Section, the District shall be released from all further obligations under this resolution, and any moneys or other assets then held or pledged pursuant to this resolution for the purpose of paying the principal of and interest on the Bond (other than the moneys deposited with and held by a trustee or an escrow agent as provided in clause (b) of this Section) shall be released from the conditions of this resolution, paid over to the District and considered excess proceeds of the Bond. In the event moneys or Government Obligations shall be so deposited and held, the trustee or escrow agent holding such moneys or Government Obligations shall, within thirty (30) days after such moneys or Government Obligations shall have been so deposited, cause a notice signed by it to be published once in a newspaper of general circulation in the City of Detroit, Michigan, setting forth (x) the date or dates, if any, designated for the redemption of the Bond, (y) a description of the moneys or Government Obligations so held by it, and (z) that the District

has been released from its obligations under this resolution. All moneys and Government Obligations so deposited and held shall be held in trust and applied only to the payment of the principal of and premium, if any, and interest on the Bond at maturity or upon redemption prior to maturity, as the case may be, as provided in this Section.

The trustee or escrow agent referred to in this Section shall (a) be a bank or trust company permitted by law to offer and offering the required services, (b) be appointed by an Authorized Officer, and (c) at the time of its appointment and so long as it is serving as such, have at least \$25,000,000 of capital and unimpaired surplus. The same bank or trust company may serve as trustee or escrow agent under this Section and as Bond Registrar so long as it is otherwise eligible to serve in each such capacity.

As used in this Section, the term "Government Obligations" means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

14. Filing with Municipal Finance Division. The Water Resources Commissioner, if necessary, is authorized and directed to:

- (a) apply to the Municipal Finance Division of the Michigan Department of Treasury for approval of the sale of the Bond;
- (b) file with such application all required supporting material; and
- (c) pay all fees required in connection therewith.

15. Resolution. The provisions of this Resolution shall constitute a contract between the District and the State Authority as the bondholder. After the issuance of the Bond the Resolution shall not be repealed or amended in any respect which will adversely affect the rights and interests of the bondholder, nor shall the District adopt any law, ordinance or resolution in any way adversely affecting the rights of the holders of the Bond so long as the Bond or interest thereon remains unpaid.

16. Purchase Contract. The Chair of the Drainage Board is hereby authorized to execute and deliver the Purchase Contract and the Issuer's Certificate, with such changes as may be necessary or desirable, permitted by the Act and otherwise by law, and not materially adverse to the District so long as the interest rate on the Bond is not in excess of 6% per annum.

The Chair of the Drainage Board and any member of the Drainage Board, and any of them individually, are hereby authorized to sign the Supplemental Agreement and any and all

other documents and certificates necessary for the sale and delivery of the Bond.

17. Form of Bond. The Bond shall be in substantially the following form:

UNITED STATES OF AMERICA
STATE OF MICHIGAN
MALLETTS CREEK DRAIN DRAINAGE DISTRICT,
COUNTY OF WASHTENAW, STATE OF MICHIGAN
MALLETTS CREEK SPRINGWATER SUB DRAIN PROJECT BOND
(LIMITED TAX GENERAL OBLIGATION), SERIES 2014

No. R-1

<u>RATE</u>	<u>MATURITY DATE</u>	<u>DATE OF ISSUANCE</u>
_____ %	_____	_____

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REGISTERED OWNER: MICHIGAN FINANCE AUTHORITY

PRINCIPAL AMOUNT: _____ (\$_____)

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FOR VALUE RECEIVED, the Malletts Creek Drain Drainage District, County of Washtenaw, State of Michigan (the "Issuer" or "District"), hereby acknowledges itself indebted and promises to pay to the Michigan Finance Authority (the "MFA" or the "Authority") the principal sum of _____ Dollars (\$_____) or so much thereof as shall have been advanced to the Issuer pursuant to a Purchase Contract between the Issuer and the Authority and a Supplemental Agreement by and among the Issuer, the Authority and the State of Michigan acting through the Department of Environmental Quality, in lawful money of the United States of America, on the dates and in the principal installments indicated on the Payment Schedule attached as EXHIBIT 1 hereto, unless prepaid prior thereto as hereinafter provided, with interest on said principal thereon until paid from the date each such installment of principal is disbursed by the Authority to the District at the rate of _____ percent (____%) per annum, first payable on _____, _____ and semiannually thereafter and principal is payable on the first day of _____ commencing _____, _____ (as identified in the Purchase Contract) and annually thereafter.

Notwithstanding any other provision of this Bond, so long as the Michigan Finance Authority (the "State Authority" or "Authority") is the owner of this Bond, (a) this Bond is payable as to principal, premium, if any, and interest at The Bank of New York Mellon Trust Company, N.A., or at such other place as shall be designated in writing to the District by the Authority (the "Authority's Depository"); (b) the Issuer agrees that it will deposit with the Authority's Depository payments of the principal of, premium, if any, and interest on this Bond in immediately available funds by 12:00 noon at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise; in the event that the Authority's Depository has not received the Issuer's deposit by 12:00 noon on

the scheduled day, the Issuer shall immediately pay to the Authority as invoiced by the Authority an amount to recover the Authority's administrative costs and lost investment earnings attributable to that late payment; and (c) written notice of any redemption of this Bond shall be given by the Issuer and received by the Authority's Depository at least forty (40) days prior to the date on which such redemption is to be made.

ADDITIONAL INTEREST

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

The Bond may be subject to redemption prior to maturity by the Issuer only with the prior written consent of the Authority and on such terms as may be required by the Authority.

During the time funds are being drawn down by the Issuer under this Bond, the Authority will periodically provide the Issuer a statement showing the amount of principal that has been advanced and the date of each advance, which statement shall constitute prima facie evidence of the reported information; provided that no failure on the part of the Authority to provide such a statement or to reflect a disbursement or the correct amount of a disbursement shall relieve the Issuer of its obligation to repay the outstanding principal amount actually advanced (subject to any principal forgiveness as provided for in EXHIBIT 1), all accrued interest thereon, and any other amount payable with respect thereto in accordance with the terms of this Bond.

This Bond is a single registered bond issued by the District under and pursuant to and in full conformity with the Constitution and statutes of the State of Michigan (especially Act No. 40, Public Acts of Michigan, 1956, as amended) and a bond resolution adopted by the Drainage Board of the District on _____, _____ (the "Bond Resolution") for the purpose of paying for the construction of the Malletts Creek Springwater Sub Drain Project (the "Project").

This Bond is issued in anticipation of, and is primarily payable from, the collection of special assessments assessed against public corporation on the Special Assessment Roll for the Malletts Creek Springwater Sub Drain Project. The assessments are general obligations of the public corporation. The full faith and credit of the Malletts Creek Drain Drainage District have been pledged for the prompt payment of the principal and interest on this bond as the same shall become due, and, in addition, the full faith and credit of the County of Washtenaw have been pledged therefore. Taxes imposed by the public corporation are subject to constitutional tax rate limitations.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in connection with the issuance of the Bond, existed, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of Michigan, and that the total indebtedness of the District, including this Bond, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Malletts Creek Drain Drainage District, County of Washtenaw, Michigan, by its Drainage Board has caused this Bond to be executed in its name with the signatures of its Chair and at least one other member of the Drainage Board, has caused its seal to be affixed hereto, all as of the Date of Issuance.

MALLETTS CREEK DRAIN DRAINAGE DISTRICT

SEAL] By: _____
Chair

And: _____
Member of the Drainage Board

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EXHIBIT 1

Name of Issuer: Malletts Creek Drain Drainage District
DEQ Project No.
DEQ Approved Amt: \$

PAYMENT SCHEDULE

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

<u>Due</u> <u>Date</u>	<u>Amount of Principal</u> <u>Installment Due</u>
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Interest on the Bond shall accrue on that portion of principal disbursed by the Authority to the Issuer which has not been forgiven pursuant to the Order from the date such portion is disbursed, until paid, at the rate of _____% per annum, payable _____ 1, _____, and semi-annually thereafter.

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

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18. Investments. Moneys in the Bond Payment Fund and the Project Fund may be continuously invested and reinvested in the United States government obligations, obligations the principal of and interest on which are unconditionally guaranteed by the United States government, or in interest-bearing time deposits selected by the Treasurer of the District which are permissible investments for surplus funds under Act No. 20 of the Public Acts of 1943, as amended. Such investments shall mature, or be subject to redemption at the option of the holder, not later than (a) in the case of the Bond Payment Fund, the dates moneys in such fund will be required to pay the principal of and interest on the Bond, and (b) in the case of the Project Fund, the estimated dates when moneys in such fund will be required to pay costs of the Malletts Creek Springwater Sub Drain Project. Obligations purchased as an investment of moneys in the Bond Payment Fund or the Project Fund, as the case may be, shall be deemed at all times to be a part of such fund, and the interest accruing thereon and any profit realized from such investment shall be credited to such fund.

19. Depositories. All of the banks located in the State of Michigan are hereby designated as permissible depositories of the moneys in the funds established by this Resolution, except that the moneys in the Bond Payment Fund shall only be deposited in such banks where the principal of and interest on the Bond are payable. The Treasurer of the District shall select the depository or depositories to be used from those banks authorized in this Section.

20. Qualified Tax-Exempt Obligation. The Bond is not designated as "qualified tax-exempt obligations" for purposes of deduction of interest expense by financial institutions under the provisions of Section 265 of the Code.

21. Retention of Bond Counsel. The firm of Axe & Ecklund, P.C., attorneys of Grosse Pointe Farms, Michigan, is hereby retained to act as bond counsel for the District in connection with the issuance, sale and delivery of the Bond.

22. Retention of Financial Consultants. Municipal Financial Consultants Incorporated, Grosse Pointe Farms, Michigan, is hereby retained to act as financial consultant and advisor to the District in connection with the issuance, sale and delivery of the Bond.

23. Conflicting Resolutions. All resolutions of the Board, or parts of such resolutions, in conflict with this resolution are hereby rescinded.

24. Effective Date. This Resolution shall become effective immediately upon its adoption and shall be recorded in the minutes of the District as soon as practicable after adoption.

APPENDIX A

MALLETTS CREEK DRAIN DRAINAGE DISTRICT
County of Washtenaw, State of Michigan
Project No: *(Project Number)*

State Revolving Fund

PURCHASE CONTRACT

The Michigan Finance Authority (the "Authority"), a public body corporate, separate and distinct from the State of Michigan, hereby offers to enter into this Purchase Contract with the Issuer named below (the "Issuer") which, upon the acceptance of this offer by the Issuer and ratification by the Authority, will be binding upon the Authority and the Issuer. This offer is made subject to acceptance on or before _____.

Upon the terms and conditions and upon the basis of the representations, warranties, and agreements set forth herein, including those set forth on Schedule I hereto, the Authority hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Authority, bonds (the "Bonds") in the principal amount and with the maturities and interest rate as shown on Schedule I and with redemption provisions acceptable to the Authority. The purchase price for the Bonds shall be 100%. The Authority's obligation to disburse Bond proceeds shall be contingent upon funding of the State Water Pollution Control Revolving Fund created by 1988 PA 316 and 1988 PA 317. The method of payment of Bond proceeds to the Issuer shall be as set forth in the Supplemental Agreement among the Issuer, the Authority, and the State of Michigan acting through the Department of Environmental Quality.

The Issuer represents and warrants to, and agrees with, the Authority that the Issuer has, and on the Closing Date (specified below) will have, full legal right, power and authority (i) to enter into this Purchase Contract, and (ii) to sell and deliver the Bonds to the Authority as provided herein and in the resolution or ordinance authorizing the Bonds and the Issuer has duly authorized and approved the execution and delivery of and the performance by the Issuer of its obligations contained in this Purchase Contract including those set forth in Schedule I.

On _____, the local preclosing date, the Issuer shall make available for inspection by the Authority at the offices of the Department of Attorney General, Finance Division, Lansing, Michigan, the Bonds, together with such other documents, certificates and closing opinions as the Authority shall require (the "Closing Documents").

On _____, (the "Closing Date"), the Authority shall accept delivery of the Bonds and the Closing Documents and pay the purchase price for the Bonds.

MICHIGAN FINANCE
AUTHORITY

BY _____
Authorized Officer

Accepted and Agreed to this
_____ day of _____

MALLETTS CREEK DRAIN DRAINAGE DISTRICT
County of Washtenaw, State of Michigan ("Issuer")

By: _____

Title: _____

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SCHEDULE I

Name of Issuer: Malletts Creek Drain Drainage District
DEQ Project No.
DEQ Approved Amt: \$

PAYMENT SCHEDULE

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

<u>Due</u>	<u>Amount of Principal</u>
<u>Date</u>	<u>Installment Due</u>

Interest on the Bond shall accrue on that portion of principal disbursed by the Authority to the Issuer which has not been forgiven pursuant to the Order from the date such portion is disbursed, until paid, at the rate of ____% per annum, payable _____ 1, _____, and semi-annually thereafter.

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

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CERTIFICATION OF PROCEEDINGS

I, Evan N. Pratt, Chair of the Drainage Board, hereby certify that (1) the foregoing is a true and complete copy of proceedings of the Drainage Board for the Drainage District referred to therein, at a meeting duly called, convened and held on the date and at the time and place therein stated, at which meeting a quorum was present and remained throughout; (2) the original thereof is on file in the records in my office; (3) the meeting was conducted, and public notice thereof was given, pursuant to and in full compliance with the Open Meetings Act (Act No. 267, Public Acts of Michigan, 1976, as amended) and (4) minutes of such meetings were kept and will be or have been made available as required thereby.

DATED: _____

Evan N. Pratt
Chair of the Drainage Board

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