MUSKEGON HEIGHTS PUBLIC SCHOOLS

Office of the Emergency Manager
Steve M. Schiller

EM Order 2016-2

BY THE POWER AND AUTHORITY VESTED IN
THE EMERGENCY MANAGER FOR THE
MUSKEGON HEIGHTS PUBLIC SCHOOLS, MUSKEGON COUNTY, MICHIGAN
("EMERGENCY MANAGER")
THROUGH MICHIGAN COMPILED LAW ("MCL") §§141.1541 – 141.1575 and
380.1 – 380.1853, 388.1601 – 388.1772

THE EMERGENCY MANAGER, STEVE M. SCHILLER,
HEREBY ISSUES THE FOLLOWING:

ORDER APPROVING THE ISSUANCE AND DELEGATING THE SALE OF MUSKEGON HEIGHTS PUBLIC SCHOOLS 2016 REFUNDING BONDS, SERIES B

By the authority of the Emergency Manager of the Muskegon Heights Public Schools, Muskegon County, Michigan (the "District") granted under Public Act 436 of the Public Acts of Michigan, 2012 (the "Act"), and by the appointment of the Emergency Manager of the District by the Governor of the State of Michigan pursuant to that Act, the following preamble and order is issued:

WHEREAS:

1. Part VI of Act 34, Public Acts of Michigan, 2001, as amended, the Revised Municipal Finance Act (the "Act"), permits the Issuer to refund all or part of its outstanding obligations; and

2. The outstanding debts to be refunded are the estimated School Bond Loan Fund and/or School Loan Revolving Fund balance in the amount of $5,057,623.21 as of March 24, 2016, plus accrued interest to the date of delivery (the "Obligations"); and

3. The Issuer has received a proposal from Michigan Finance Authority (the "MFA") to refund all or part of that portion of the outstanding Obligations of the Issuer; and

4. Pursuant to Section 12(1)(u) of Act 436, Public Acts of Michigan, 2012, as amended ("Act 436"), the Emergency Manager may authorize the borrowing of money by the school district subject to Section 19 of Act 436, which Section 19 has been satisfied; and

5. The Emergency Manager determines that it is in the best interest of the Issuer to consider refunding the Obligations; and

6. Prior to the issuance of bonds, the Issuer must secure prior approval of the bonds from the Michigan Department of Treasury (the "Department") pursuant to the Act.

NOW, THEREFORE, BE IT ORDERED THAT:

1. Bonds of the Issuer designated 2016 Refunding Bonds, Series B (General Obligation - Unlimited Tax) (Federally Taxable) (the "Bonds") be issued in the aggregate principal amount of not to exceed $5,600,000, as finally determined upon sale thereof, for the purpose of refunding all or a portion of the Obligations. The Bonds shall be dated March 24, 2016, or the date of delivery, or such other date as established at the time of sale; shall be numbered in the direct order of their maturities from 1 upwards; shall be fully registered Bonds as to principal and interest; shall bear interest at a rate or rates to be hereafter determined upon sale, payable on November 1, 2016, or such other date as may be established at the time of sale, and semiannually thereafter on May 1 and November 1 in each year; and shall mature on May 1 in each year to be subsequently determined by the Emergency Manager of the Issuer, in the final principal amounts determined upon sale and may be subject to redemption in the amounts, at the times, in the manner and at the prices determined upon sale of the Bonds.

2. The Bonds may consist of serial or term Bonds or any combination thereof which may be issued in one or more series, all of which shall be determined upon sale of the Bonds.

3. The Bonds shall be in denominations of $5,000 or any whole multiple thereof.

4. Subject to the provisions of the paragraph following this paragraph, the principal of the Bonds and the interest thereon shall be payable in lawful money of the United States of America at or by a bank or trust company to be designated by the Emergency Manager at the time of sale (herein called the "Paying Agent"), which shall act as the paying agent and bond registrar or such successor paying agent-bond registrar as may be approved by the Issuer, on each semiannual interest payment date and the date of each principal maturity.

So long as the MFA is the owner of the Bonds, (a) the Bonds shall be payable as to principal, premium, if any, and interest at the corporate trust office of U.S. Bank National Association, St. Paul, Minnesota or at such other place as shall be designated in writing to the Issuer by the MFA (the "MFA's Depository"); (b) the Issuer agrees that it will deposit with the MFA's Depository payments of the principal of, premium, if any, and interest on the Bonds in immediately available funds at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise; and (c) written notice of any redemption of this Bond shall be given by the Issuer and received by the MFA's Depository at least 40 days prior to the date on which such redemption is to be made.

5. Book Entry. At the request of the MFA or in the event the Bonds are not owed by the MFA, the ownership of one fully registered bond for each maturity, in the aggregate principal amount of such maturity, shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). So long as the Bonds are in the book entry form only, the Paying Agent shall comply with the terms of the Blanket Issuer Letter of Representations to be entered into between the Issuer and DTC, which provisions shall govern registration, notices and payment, among other things, and which provisions are incorporated herein with the same effect as if fully set forth herein. The Emergency Manager is hereby authorized and directed to enter

into the Blanket Issuer Letter of Representations with DTC in such form as determined by the Emergency Manager, in consultation with bond counsel, to be necessary and appropriate. In the event the Issuer determines that the continuation of the system of book entry only transfer through DTC (or a successor securities depository) is not in the best interest of the DTC participants, beneficial owners of the Bonds, or the Issuer, the Issuer will notify the Paying Agent, whereupon the Paying Agent will notify DTC of the availability through DTC of the bond certificates. In such event, the Issuer shall issue and the Paying Agent shall transfer and exchange Bonds as requested by DTC of like principal amount, series and maturity, in authorized denominations to the identifiable beneficial owners in replacement of the beneficial interest of such beneficial owners in the Bonds, as provided herein.

So long as the book-entry-only system remains in effect, in the event of a partial redemption the Paying Agent will give notice to Cede & Co., as nominee of DTC, only, and only Cede & Co. will be deemed to be a holder of the Bonds. DTC is expected to reduce the credit balances of the applicable DTC Participants in respect of the Bonds and in turn the DTC Participants are expected to select those Beneficial Owners whose ownership interests are to be extinguished or reduced by such partial redemptions, each by such method as DTC or such DTC Participants, as the case may be, deems fair and appropriate in its sole discretion.

6. In the event the Bonds are not owned by the MFA and are not held in book entry form only, the following provisions would apply to the Bonds:

The Paying 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 during normal business hours be open to inspection by the Issuer; and, upon presentation and surrender for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, transfer or cause to be transferred on said books, Bonds as herein provided.

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 a duly authorized agent, upon surrender of the Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent. Whenever any Bond or Bonds shall be surrendered for transfer, the Issuer shall furnish or cause to be furnished a sufficient number of manual or facsimile executed Bonds and the Paying Agent shall authenticate and deliver a new Bond or Bonds for like aggregate principal amount. The Paying Agent shall require the payment of any tax or other governmental charge required to be paid with respect to the transfer to be made by the bondholder requesting the transfer.

7. If any Bond shall become mutilated, the Issuer, at the expense of the holder of the Bonds, shall furnish or cause to be furnished, and the Paying Agent, if any, shall authenticate and deliver, a new Bond of like tenor in exchange and substitution of the mutilated Bond, upon surrender to the Issuer of the mutilated Bond. If any Bond issued under this order shall be lost, destroyed or stolen, evidence of the loss, destruction or theft and indemnity may be submitted to the Issuer, and if satisfactory to the Issuer, the Issuer at the expense of the owner, shall furnish or cause to be furnished, and the Paying Agent, if any, shall authenticate and deliver a new Bond of like tenor and bearing the statement required by Act 354, Public Acts of Michigan, 1972, as amended, being sections 129.131 to 129.134, inclusive, of the Michigan Compiled Laws, or any applicable law hereafter enacted, in lieu of and in substitution of 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 Issuer may pay the same without surrender thereof.

8. The Emergency Manager and the Chief Financial Officer of the Issuer shall provide the Bonds in conformity with the specifications of this order by causing their manual or facsimile signature to be affixed thereto, and upon the manual execution by the authorized signatory of the Paying Agent, if any, the Emergency Manager shall cause said Bonds to be delivered to the MFA upon receipt of the purchase price and accrued interest, if any.

Blank bonds with the manual or facsimile signatures of the Emergency Manager and the Chief Financial Officer, affixed thereto, shall, upon issuance and delivery and from time to time thereafter as necessary, be delivered to the Paying Agent, if any, for safekeeping to be used for registration and transfer of ownership.

9. There is hereby created a separate depository account to be kept with a bank located in the State of Michigan and insured by the Federal Deposit Insurance Corporation, previously approved as an authorized depository of funds of the Issuer, to be designated 2016 SERIES B REFUNDING BOND DEBT RETIREMENT FUND (hereinafter referred to as the "DEBT RETIREMENT FUND"), all proceeds from taxes levied for the fund to be used for the purpose of paying the principal and interest on the Bonds authorized herein as they mature or are redeemed. Upon receipt of the Bond proceeds from the sale of the Bonds, the accrued interest, if any, shall be deposited in the DEBT RETIREMENT FUND. DEBT RETIREMENT FUND moneys may be invested as authorized by law.

Commencing with the 2016 tax levy, there shall be levied upon the tax rolls of the Issuer in each year for the purpose of the DEBT RETIREMENT FUND a sum not less than the amount estimated to be sufficient to pay the principal and interest on the Bonds as such principal and interest fall due prior to the next year's tax levy, the probable delinquency in collections and funds on hand being taken into consideration in arriving at the estimate. When funds are borrowed from the School Loan Revolving Fund, such funds may be taken into consideration in arriving at the estimated required tax levy. In determining the amount to be levied in 2016, there shall be taken into account any money in the DEBT RETIREMENT FUND. Taxes required to be levied to meet the principal and interest obligations may be without limitation as to rate or amount, as provided by Article IX, Section 6, and Article IX, Section 16 of the Michigan Constitution of 1963.

10. The proceeds of the Bonds shall be used to pay the costs of issuance of the Bonds and to secure payment of those Prior Bonds set forth in the Bond Purchase Agreement. Upon receipt of the proceeds of sale of the Bonds, the accrued interest, if any, shall be deposited in the DEBT RETIREMENT FUND for the Bonds. From the proceeds of the Bonds there shall next be set aside a sum sufficient to pay the costs of issuance of the Bonds in a fund designated 2016 SERIES B BOND ISSUANCE FUND. Moneys in the 2016 SERIES B BOND ISSUANCE FUND shall be used solely to pay expenses of issuance of the Bonds. Any amounts remaining in the 2016 SERIES B BOND ISSUANCE FUND after payment of issuance expenses shall be transferred to the DEBT RETIREMENT FUND for the Bonds.

11. The Bonds shall be in substantially the form attached hereto and incorporated herein as Exhibit A.

12. Michigan Finance Authority is hereby named as purchaser of the Bonds and further, the Emergency Manager or designee is authorized to negotiate and execute either a Bond Purchase Agreement or a Purchase Contract with the MFA, subject to the requirements of paragraph 16 below. Based upon information provided by the Issuer's financial consulting firm and the MFA, a negotiated sale allows flexibility in the timing, sale and structure of the Bonds in response to changing market conditions and flexibility in sizing the defeasance escrow necessary to accomplish the refunding of the Prior Bonds.

13. The Emergency Manager is authorized to approve circulation of a Preliminary Official Statement describing the Bonds, if necessary.

14. The Emergency Manager, or designee if permitted by law, is hereby authorized to:

a. File with the Department of Treasury (the "Department") an application for approval to issue the Bonds, if required, and to pay any applicable fee therefor and, further, within fifteen (15) business days after issuance of the Bonds, file any and all documentation required subsequent to the issuance of the Bonds, together with any statutorily required fee.

b. If deemed advisable by the Issuer's financial consultant, request a waiver of the maturity limitations as set forth in the Application for Waiver.

c. If necessary, execute and deliver the Continuing Disclosure Undertaking (the "Agreement") in substantially the same form as set forth in Exhibit B attached hereto, or with such changes therein as the individual executing the Agreement on behalf of the Issuer shall approve, his/her execution thereof to constitute conclusive evidence of his/her approval of such changes. If the Agreement is executed and delivered on behalf of the Issuer as herein provided, the Agreement will be binding on the Issuer and the officers, employees and agents of the Issuer, and the officers, employees and agents of the Issuer are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Agreement as executed, and the Agreement shall constitute, and hereby is made, a part of this order, and copies of the Agreement shall be placed in the official records of the Issuer, and shall be available for public inspection at the office of the Issuer. Notwithstanding any other provision of this order, the sole remedies for failure to comply with the Agreement shall be the ability of any Bondholder or beneficial owner to take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Agreement.

15. The Emergency Manager is authorized to file with the Department of Treasury or other authorized state agency the Final Qualification Application for the Bonds in substantially the form attached hereto as Exhibit C with such changes as the Emergency Manager shall deem necessary to conform with the final sale of the Bonds pursuant to the parameters set forth herein.

16. The Emergency Manager's authorization to accept and execute a Bond Purchase Agreement or Purchase Contract with the MFA is subject to the following parameters:

a. the MFA spread shall not exceed $10.00 per $1,000 (1.00%);

b. the average true interest rate on the Bonds shall not exceed 3.50%;

c. the present value savings from the refunding shall not be less than 2% of the par of the Prior Bonds; and

d. the receipt of express written recommendation of the Issuer's financial consulting firm identified below to accept the terms of the Bond Purchase Agreement or Purchase Contract.

17. The Emergency Manager is further authorized to (i) execute any and all other necessary documents required to complete the approval and sale of the Bonds to the MFA in accordance with the terms of the Bond Purchase Agreement or Purchase Contract; (ii) appoint a paying agent for the Bonds; (iii) select a bond insurer, accept a commitment therefore and authorize payment of a bond insurance premium to insure any or all of the Bonds if recommended in writing by the Financial Advisor; (iv) deem a Preliminary Official Statement for the Bonds final for purposes of SEC Rule 15c2-12(b)(1), if necessary; and (v) execute and deliver a final Official Statement on behalf of the Issuer, if necessary.

18. The Emergency Manager or the Chief Financial Officer of the Issuer, and/or all other officers, agents and representatives of the Issuer and each of them shall execute, issue and deliver any certificates, statements, warranties, representations, or documents necessary to effect the purposes of this order, the Bonds, the Bond Purchase Agreement, or the Purchase Contract.

19. The officers, agents and employees of the Issuer are authorized to take all other actions necessary and convenient to facilitate the sale and delivery of the Bonds.

20. Thrun Law Firm, P.C., is hereby appointed as bond counsel for the Issuer with reference to the issuance of the Bonds authorized by this order. Further, Thrun Law Firm, P.C., has informed the Emergency Manager that it represents no other party in the issuance of the Bonds.

21. The financial consulting firm of Public Financial Management, Inc., is hereby appointed as financial consultants to the Issuer with reference to the issuance of the Bonds herein authorized.

22. All orders and parts of orders insofar as they conflict with the provisions of this order be and the same are hereby rescinded.

23. Order declared approved.

Dated: February 2, 2016

Emergency Manager

CJI/pak