

**NEW ISSUE  
BOOK-ENTRY-ONLY**

RATINGS: Fitch Ratings AAA  
Standard & Poor's Ratings Services AAA

(See "MUNICIPAL BOND INSURANCE" and "RATING INFORMATION" herein)

*Dickinson Wright PLLC, Bond Counsel, is of the opinion that, assuming compliance with certain covenants by the County, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or a political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. See "TAX MATTERS" herein and "FORM OF LEGAL OPINION", Section C hereto, for a description of certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), which may affect the tax treatment of interest on the Bonds for certain Bondholders.*

The Bonds have been designated as "qualified tax-exempt obligations" for purposes of deduction of interest expense by financial institutions pursuant to the Code.

**\$7,000,000**

**COUNTY OF LEELANAU, STATE OF MICHIGAN  
LAW ENFORCEMENT CENTER BONDS  
(LIMITED TAX GENERAL OBLIGATION)**

**OFFICIAL STATEMENT**

The Bonds are being issued pursuant to the provisions of Act 34, Public Acts of Michigan, 2001, as amended ("Act 34"), and pursuant to a resolution adopted by the Board of Commissioners of the County of Leelanau, for the purpose of paying part of the cost of constructing, equipping and furnishing a law enforcement center in the County of Leelanau (the "County"), including central dispatch facilities and correctional facilities, and improving the site thereof (the "Project").

The Bonds will be limited tax general obligations of the County payable from ad valorem taxes levied on all taxable property in the County or from any other funds of the County legally available therefor. The full faith and credit of the County have been pledged for the prompt payment of the principal of and interest on the Bonds as the same shall become due. Each year the County is obligated to include in its budget as a first budget obligation an amount sufficient to pay such principal and interest as the same shall become due. The ability of the County to raise funds to pay such amounts is subject to applicable constitutional and statutory limitations on the taxing power of the County.

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, as described herein. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds.

The County has been advised that payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds and paid for by the Underwriter.



Interest on the Bonds will be payable semi-annually on the first days of June and December of each year commencing June 1, 2003. Principal and interest will be paid by the County to Standard Federal-Corporate and Institutional Trust, a division of LaSalle Bank National Association, Troy, Michigan, the paying agent for the Bonds or its successor which will in turn remit such principal and interest to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described in the Bonds and as referenced in certain proceedings of the County referred to therein.

The record date of the Bonds will be the fifteenth day of the month preceding each interest payment date.

Certain of the Bonds are subject to redemption prior to maturity. See "PRIOR REDEMPTION" herein.

**MATURITY SCHEDULE**

Dated: December 1, 2002

Principal Due: June 1 of each year as shown below

Year	Amount	Interest Rate	Reofferring Rate	Year	Amount	Interest Rate	Reofferring Rate	Year	Amount	Interest Rate	Reofferring Rate
2003	\$75,000	3.000%	1.400%	2011	\$200,000	3.750%	3.550%	2019	\$350,000	4.400%	4.450%
2004	100,000	3.000	1.750	2012	225,000	3.750	3.650	2020	350,000	4.500	4.500
2005	100,000	3.000	2.000	2013	250,000	4.000	3.800	2021	375,000	4.600	4.600
2006	125,000	3.000	2.400	2014	250,000	4.000	3.950	2022	400,000	4.650	4.650
2007	150,000	3.000	2.650	2015	275,000	4.000	4.050	2023	400,000	4.650	4.650
2008	150,000	3.250	2.950	2016	300,000	4.100	4.150	2024	450,000	4.700	4.750
2009	175,000	3.250	3.125	2017	300,000	4.200	4.250	2025	475,000	4.750	4.800
2010	200,000	3.500	3.400	2018	325,000	4.300	4.300	2026	500,000	4.750	4.820
								2027	500,000	4.750	4.840

The information regarding the re-offering rates was provided to the County by the initial purchasers of the Bonds.

**U.S. BANCORP PIPER JAFFRAY**

**MORGAN KEEGAN & COMPANY, INC.**

The date of this Official Statement is November 19, 2002.

NOV 26 2002

The following have participated in the planning and development of this Bond issue:

## **COUNTY OF LEELANAU**

### **BOARD OF COMMISSIONERS**

JEAN I. WATKOSKI  
Chairperson, District 3

ROBERT L. HAWLEY  
Vice-Chairperson, District 5

ROBERT L. PISOR  
District 1

RICHARD A. SCHMUCKAL  
District 2

MELINDA C. LAUTNER  
District 4

### **OFFICIALS**

DAVID W. GILL  
Chief Administrative Officer

MICHELLE L. CROCKER  
Clerk

VICKI KILWAY  
Treasurer

SARA W. BRUBAKER  
Prosecuting Attorney

PAMELA ZIENTEK  
Director of Equalization

### **PROFESSIONAL SERVICES**

REGISTRAR/TRANSFER AGENT

STANDARD FEDERAL - CORPORATE AND INSTITUTIONAL TRUST,  
A DIVISION OF LASALLE BANK NATIONAL ASSOCIATION  
Troy, Michigan

BOND COUNSEL

DICKINSON WRIGHT PLLC  
Bloomfield Hills, Michigan

COUNTY CORPORATION COUNSEL

COHL, STOKER & TOSKEY, P.C.  
Lansing, Michigan

FINANCIAL ADVISOR

BENDZINSKI & CO., MUNICIPAL FINANCE ADVISORS  
Detroit, Michigan

ARCHITECT

LANDMARK DESIGN GROUP, P.C.  
Grand Rapids, Michigan

BUILDER

DESIGN/BUILD, DEVERE CONSTRUCTION CO., INC.  
Alpena, Michigan

The Bonds have not been registered with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, or registered in any state and will not be listed on any stock or other securities exchange. Neither the SEC nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale, except as disclosed herein.

No dealer, salesman or any other person has been authorized to give any information or to make any representation, other than the information and representations contained herein, in connection with the offering of the Bonds and, if given or made, such information or representations must not be relied upon.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby by any person in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to whom it is unlawful to make such offer or solicitation. The information set forth herein has been provided by the County and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness.

All summaries contained in this Official Statement are subject in all respects to the complete statute, regulation, rule, court decision or report. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor the sale made hereunder shall under any circumstance create any implication that there has been no change in the affairs of the County since the date hereof.

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## **SECTION A**

### **THE BONDS**

**\$7,000,000**  
**COUNTY OF LEELANAU, STATE OF MICHIGAN**  
**LAW ENFORCEMENT CENTER BONDS**  
**(LIMITED TAX GENERAL OBLIGATION)**  
**INFORMATION FOR BIDDERS**

Date of Sale: November 19, 2002

Time of Sale: 4 :00 p.m., Eastern Standard Time

Place of Sale: Electronically via Parity

County of Leelanau Office of the County Clerk 310 E. Cedar St. Leland, MI 49654	-or-	Bendzinski & Co., Municipal Finance Advisors 607 Shelby, Suite 600 Detroit, Michigan, 48226-3282
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Dated: December 1, 2002

Principal Due: June 1, Serially

Denomination: \$5,000 or multiples thereof up to the amount of a single maturity

Registration: Book-Entry-Only

Maximum Interest Rate: 8%  
( 3% Spread)

Maximum Discount Allowed: 1.00%

Multiples: 1/8 or 1/20 of 1% or both

Qualified Tax-Exempt Obligations:

**MATURITIES**

<u>CUSIP</u>	<u>Year</u>	<u>Amount</u>	<u>CUSIP</u>	<u>Year</u>	<u>Amount</u>	<u>CUSIP</u>	<u>Year</u>	<u>Amount</u>
524268 EC9	2003	\$75,000	524268 EL9	2011	\$200,000	524268 EU9	2019	\$350,000
524268 ED7	2004	100,000	524268 EM7	2012	225,000	524268 EV7	2020	350,000
524268 EE5	2005	100,000	524268 EN5	2013	250,000	524268 EW5	2021	375,000
524268 EF2	2006	125,000	524268 EP0	2014	250,000	524268 EX3	2022	400,000
524268 EG0	2007	150,000	524268 EQ8	2015	275,000	524268 EY1	2023	400,000
524268 EH8	2008	150,000	524268 ER6	2016	300,000	524268 EZ8	2024	450,000
524268 EJ4	2009	175,000	524268 ES4	2017	300,000	524268 FA2	2025	475,000
524268 EK1	2010	200,000	524268 ET2	2018	325,000	524268 FB0	2026	500,000
						524268 FC8	2027	500,000

**DESCRIPTION AND FORM OF THE BONDS**

The Bonds will be issued in book-entry-only form as one fully registered Bond per maturity, without coupons, in the aggregate principal amount for each maturity set forth on the cover page hereof and may be purchased in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated as of December 1, 2002 and will bear interest from that date. Interest on the Bonds shall be payable on June 1, 2003 and semiannually each June 1 and December 1 thereafter prior to maturity or earlier redemption. Interest on the Bonds shall be computed using a 360-day year with twelve 30-day months, and the Bonds will mature on the dates and in the principal amounts and will bear interest at the rates as set forth on the cover of this Official Statement.

Standard Federal - Corporate and Institutional Trust, a division of LaSalle Bank National Association, Troy, Michigan, or its successor will serve as paying agent (the "Paying Agent") and also as bond registrar and transfer agent if the Bonds cease to be held in book-entry-only form. For a description of payment of principal and interest, transfers and exchanges and notice of redemption on the Bonds which are held in the book-entry-only system, see "*Book-Entry-Only System*" below. In the event the Bonds cease to be held in the book-entry-only system, then interest on the Bonds shall be payable when due by check or draft to the person or entity who or which is, as of the fifteenth (15th) day of the month preceding each interest payment date, the registered owner of record, at the owner's registered address. See "*Transfer Outside Book-Entry-Only System*" herein.

## **TERM BOND OPTION**

Bidders shall have the option of designating bonds maturing in the years 2015 through 2027, inclusive, as serial bonds, or term bonds, or both. The bid must designate whether each of the principal amounts shown above for the years 2015 through 2027, inclusive, represents a serial maturity or a mandatory redemption requirement for a term bond maturity. In any event, the above principal amount schedule for the years 2015 through 2027, inclusive, shall be represented by either serial bond maturities or mandatory redemption requirements, or a combination of both. Any such designation must be made at the time bids are submitted.

## **PRIOR REDEMPTION**

### ***MANDATORY REDEMPTION***

Bonds designated as term bonds (the "Term Bonds") shall be subject to mandatory redemption at par and accrued interest on the dates and in the amounts corresponding to the annual principal maturities hereinbefore set forth. The Term Bonds or portions of Term Bonds to be redeemed shall be selected by lot.

### ***OPTIONAL REDEMPTION***

Bonds maturing in the years 2003 to 2012, inclusive, shall not be subject to redemption prior to maturity.

Bonds or portions thereof in multiples of \$5,000, maturing in the years 2013 to 2027, inclusive, shall be subject to redemption prior to maturity, at the option of the County, in any order of maturity and within any maturity by lot, on any interest payment date on or after June 1, 2012, at par and accrued interest to the date fixed for redemption, plus a premium (expressed as a percentage of the principal amount redeemed), as follows:

½% of the principal amount of each Bond or portion thereof called for redemption on or after June 1, 2012, but prior to June 1, 2015.

No premium shall be paid on Bonds or portions thereof called for redemption on or after June 1, 2015.

## **BOOK-ENTRY-ONLY SYSTEM**

The information in this section has been furnished by The Depository Trust Company, New York, New York ("DTC"). No representation is made by the County or the Paying Agent as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. No attempt has been made by the County or the Paying Agent to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the County nor the Paying Agent will have any responsibility or obligation to Direct Participants, Indirect Participants (both as defined below) or the persons for which they act as nominees with respect to the Bonds, or for any principal, premium, if any, or interest payment thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorize representative of DTC. DTC's practice is to credit Direct Participant's accounts upon DTC's receipt of funds and corresponding detail information from the County or Paying Agent, on payable date accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.



## TRANSFER OUTSIDE BOOK-ENTRY-ONLY SYSTEM

In the event the Book-Entry-Only System is discontinued, the following provisions would apply to the Bonds. The Paying Agent shall keep the registration books for the Bonds (the "Bond Register") at its principal corporate trust office. Subject to the further conditions contained in the Resolution (hereinafter defined), the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the principal corporate trust office of the Paying Agent by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Paying Agent shall record the transfer or exchange in the Bond Register and shall authenticate replacement bonds in authorized denominations, the Paying Agent shall not be required to effect or register any transfer or exchange of any Bond which has been selected for such redemption, except the Bonds properly surrendered for partial redemption may be exchanged for new Bonds in authorized denominations equal in the aggregate to the unredeemed portion; the County and the Paying Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in the Bond Register as of the appropriate dates, as the owner of such Bonds for all purposes under the Resolution. No transfer or exchange made other than as described above and in the Resolution shall be valid or effective for any purposes under the Resolution.

## THE PROJECT

### DESCRIPTION

The Bonds are being issued for the purpose of defraying all or part of the cost of constructing, equipping and furnishing a law enforcement center, including 911 dispatch facilities and correctional facilities, and improving the site thereof located in the County.

### USE OF BOND PROCEEDS

The estimated project cost is as follows:

Construction including design build services .....	\$6,237,000
Contingencies .....	623,300
Bond Discount (1.0%) .....	70,000
Legal, Financial, Administrative and Publishing .....	<u>69,700</u>
TOTAL .....	<u>\$7,000,000</u>

## AUTHORITY

The Bonds are issued pursuant to the provisions of Act 34, Public Acts of Michigan, 2001, as amended ("Act 34"), and pursuant to a resolution duly adopted by the Board of Commissioners of the County on September 17, 2002, as amended (the "Resolution").

## MUNICIPAL FINANCE QUALIFYING STATEMENT

The County of Leelanau filed a Qualifying Statement for the fiscal year ended December 31, 2001. The Michigan Department of Treasury has determined that the County is in material compliance with the criteria identified in Public Act 34 of 2001, Section 303 (3).

## SECURITY

The Bonds will be limited tax general obligations of the County payable from ad valorem taxes levied on all taxable property in the County or from any other funds of the County legally available therefor. The full faith and credit of the County have been pledged for the prompt payment of the principal of and interest on the Bonds as the same shall become due. Each year the County is obligated to include in its budget as a first budget obligation an amount sufficient to pay such principal and interest as the same shall become due. The ability of the County to raise funds to pay such amounts is subject to applicable constitutional and statutory limitations on the taxing power of the County.

The rights and 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.

## **MICHIGAN PROPERTY TAX REFORM**

On March 15, 1994, the electors of the State of Michigan voted to amend the State Constitution to increase the state sales tax from 4% to 6% and to place a yearly cap on property value assessment increases. The State now levies a property tax to finance education, and a higher real estate transfer tax is imposed on the sale of real property.

In addition, the Michigan Department of Treasury approved revisions to the State's personal property tax tables which became effective in the year 2000 and which may reduce overall personal property tax revenues in some jurisdictions. The State Tax Tribunal has informally indicated that it may allow the new multipliers to be applied retroactively in pending personal property tax appeals. In anticipation of the new multipliers, many personal property taxpayers filed appeals of their existing tax assessments. The financial impact of the change in multipliers and any appeals, if successful, on the County's operating revenues and revenues available for debt service is unknown. (See "PERSONAL PROPERTY ASSESSMENT AND APPEALS" in this Official Statement.) Certain information pertaining to the County's personal property tax base is set forth in "STATE EQUALIZED VALUATION" in this Official Statement.

The ultimate nature, extent and impact of the administrative action measures which are still under consideration cannot currently be predicted. No assurance can be given that any future legislation or administrative action, if enacted or implemented, will not adversely affect the market price or marketability of the Bonds, or otherwise prevent bondholders from realizing the full current benefit of an investment therein. Purchasers of the Bonds offered herein should be alert to the potential effect of such measures upon the Bonds, the security therefor, and the operations of the County.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Bonds have been designated as "qualified tax-exempt obligations" for purposes of deduction of interest expense by financial institutions as defined in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

## **TAX MATTERS**

### **GENERAL**

In the opinion of Dickinson Wright PLLC, as Bond Counsel, based upon its examination of documents described in its opinion, under existing law, the interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, 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. The opinion set forth in clause (a) above is subject to the condition that the County complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The County has covenanted to comply with all such requirements. Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds.

Prospective purchasers of the Bonds should be aware that (i) interest on the Bonds is included in the effectively connected earnings and profits of certain foreign corporations for purposes of calculating the branch profits tax imposed by Section 884 of the Code, (ii) interest on the Bonds may be subject to a tax on excess net passive income of certain S corporations imposed by Section 1375 on the Code, (iii) interest on the Bonds is included in the calculation of modified adjusted gross income for purposes of determining the taxability of social security or railroad retirement benefits, (iv) the receipt of interest on the Bonds by life insurance companies may affect the federal tax liability of such companies, (v) in the case of property and casualty insurance companies, the amount of certain loss deductions otherwise allowed is reduced by a specific percentage of, among other things, interest on the Bonds, (vi) holders acquiring the Bonds subsequent to initial issuance will generally be required to treat market discount recognized under Section 1276 of the Code as ordinary taxable income, (vii) the receipt of accrual of interest on the Bonds may cause disallowance of the earned income credit under Section 32 of the Code, and (viii) holders of the Bonds may not deduct interest on indebtedness incurred or continued to purchase or carry the Bonds; provided, however, the Bonds have been designated as qualified tax exempt obligations for purposes of deduction of interest expense by financial institutions as defined in Section 265(b)(3) of the Code.

In addition, in the opinion of Bond Counsel, based on its examination of the documents described in its opinion, under existing law, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or a political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

#### **TAX TREATMENT OF ACCRUALS ON ORIGINAL ISSUE DISCOUNT BONDS**

Certain of the Bonds ("Discount Bonds") may be offered and sold to the public at an "original issue discount." Original issue discount is the excess of the stated redemption price at maturity (the face amount) over the "issue price" of such Bonds. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity are sold pursuant to that offering. Such discount is treated as interest excluded from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such Discount Bond on the basis of a constant interest rate compounded at the end of each six month period (or shorter period from the date of original issue) with straight line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such Discount Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Discount Bonds who purchase such Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such Discount Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Bonds. All holders of the Discount Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that such loss is attributable to accrued original issue discount.

**INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.**

#### **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Dickinson Wright PLLC, Bloomfield Hills, Michigan, Bond Counsel. The opinion of Bond Counsel will be substantially in the form as set forth in Section C.

#### **BOND COUNSEL'S RESPONSIBILITY**

The fees of Dickinson Wright PLLC ("Bond Counsel") for services rendered in connection with its 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 and the exemption of the Bonds and the interest thereon from taxation, and as hereafter stated, Dickinson Wright PLLC has not been retained to examine or review, and has not examined or reviewed any financial documents, statements or materials 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 documents, statements or materials.

Bond Counsel has reviewed the statements made in this Official Statement under the captions entitled, "DESCRIPTION AND FORM OF THE BONDS," "PRIOR REDEMPTION," "TRANSFER OUTSIDE BOOK-ENTRY-ONLY SYSTEM," "AUTHORITY," "MUNICIPAL FINANCE QUALIFYING STATEMENT," "SECURITY," "MICHIGAN PROPERTY TAX REFORM," "QUALIFIED TAX-EXEMPT OBLIGATIONS," "TAX MATTERS," "LEGAL MATTERS," "BOND COUNSEL'S RESPONSIBILITY," and "CONTINUING DISCLOSURE." Bond Counsel has not been retained to review and has not reviewed any other portion of this Official Statement for accuracy or completeness, and has not made inquiry of any official or employee of the County or any other person and has made no independent verification of such other portions hereof, and further has not expressed and will not express an opinion as to any portions hereof.

#### **FINANCIAL ADVISORS TO THE COUNTY**

Bendzinski & Co., Municipal Finance Advisors, Detroit, Michigan (the "Financial Advisors") has been retained by the County to provide certain financial advisory services including, among other things, preparation of the deemed "final" Preliminary Official Statement and the final Official Statement (the "Official Statements"). The information contained in the Official Statements was prepared in form by the Financial Advisors and is based on information supplied by various officials from records, statements and reports required by various local, county or state agencies of the State of Michigan in accordance with constitutional or statutory requirements.

To the best of the Financial Advisors' knowledge, all of the information contained in the Official Statements, which it assisted in preparing, while it may be summarized is (i) complete and accurate; (ii) does not contain any untrue statement of a material fact; (iii) does not omit any material fact, or make any statement which would be misleading in light of the circumstances under which these statements are being made. However, the Financial Advisors have not and will not independently verify the completeness and accuracy of the information contained in the Official Statements.

The Financial Advisors' duties, responsibilities and fees arise solely as financial advisor to the County and they have no secondary obligation or other responsibility. The Financial Advisors' fees are expected to be paid from Bond proceeds.

### **RATING INFORMATION**

Fitch Ratings and Standard & Poor's Ratings Services have assigned their municipal bond ratings of "AAA" and "AAA" respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by MBIA Insurance Corporation and paid for by the Underwriter.

There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price of the Bonds. Any ratings assigned represent only the views of the rating agency. The definitions furnished by the rating agency for its ratings may be obtained from the rating agency.

### **CONTINUING DISCLOSURE**

The County will covenant for the benefit of the Bondholders and the Beneficial Owners (as hereinafter defined), pursuant to the Continuing Disclosure Certificate to be delivered on the date of issuance of the Bonds to the purchaser thereof (the "Disclosure Certificate"), to provide or cause to be provided: (i) each year, certain financial information and operating data relating to the County (the "Annual Report") by not later than the date seven months after the last day of the fiscal year of the County, commencing with the Annual Report for the fiscal year ended December 31, 2002, provided, however, that if the audited financial statements of the County are not available by such date, they will be provided when and if available, and unaudited financial statements will be included in the Annual Report; and (ii) timely notices of the occurrence of certain enumerated events, if material. Currently, the fiscal year of the County commences on January 1. "Beneficial Owner" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries).

The Annual Report will be filed with each nationally recognized municipal securities information repository (each a "NRMSIR") and with Michigan's state information depository (the "SID"), in each case as then recognized as such by the Securities and Exchange Commission (the "SEC"). If the County is unable to provide to each NRMSIR and the SID, an Annual Report by the date required, the County shall send, in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board (the "MSRB"), and to the SID a notice of the failure to file the Annual Report by such date. The notices of material events will be filed by the County with the MSRB or each NRMSIR, and with the SID. These covenants have been made in order to assist the Underwriters and registered brokers, dealers and municipal securities dealers in complying with the requirements of subsection (b)(5) of Rule 15c2-12 promulgated by the SEC pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"). The information to be contained in the Annual Report, the enumerated events, the occurrence of which will require a notice, and the other terms of the Disclosure Certificate are set forth in Section E, "FORM OF CONTINUING DISCLOSURE UNDERTAKING".

The County has not failed to comply with the requirements, as described in section (b)(5) of the Rule, of any undertaking made by the County on or after July 3, 1995, which is the effective date of said section (b)(5).

### **PRINTING AND DELIVERY**

The County will furnish Bonds at its expense for delivery to the purchaser to DTC at New York, New York. Delivery of the Bonds shall be within 45 days from the date of sale of the Bonds. Payment for the Bonds shall be made in Federal Reserve Funds.

### **ABSENCE OF CERTAIN LITIGATION**

According to County Corporation Counsel, Peter A. Cohl of Cohl, Stoker & Toskey, P.C., there is no litigation to his knowledge, pending or threatened, in any court (either state or federal) which seeks to restrain or enjoin the issuance or delivery of the Bonds, which questions (i) the proceedings under which the Bonds are to be issued, (ii) the validity of the Bonds, (iii) the legal existence of the County or the title to the office of the present officials of the County, or (iv) the ability of the County to operate or any other matter which may materially affect the financial condition of the County.

## **OTHER MATTERS**

The County certifies that to its best knowledge and belief, this Official Statement, insofar as it pertains to the County and its economic and financial condition, is true and correct as of its date, and does not contain, nor omit, any material facts or information which would make the statements contained herein misleading. All information contained in this Official Statement, other than that provided by the County, is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of such information. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

The date of the Preliminary Official Statement is November 5, 2002. The information contained herein is subject to revision, amendment and completion. As of that date, the Preliminary Official Statement was deemed "final" by the County for purposes of paragraph (b)(1) of the Rule.

This Official Statement has been duly approved, executed and delivered by the County on the date as set forth on the front cover of this Official Statement.

### **COUNTY OF LEELANAU**

By: /s/ Vicki Kilway  
VICKI KILWAY, Treasurer

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**SECTION B**

**COUNTY OF LEELANAU  
GENERAL DESCRIPTION  
AND  
STATISTICAL INFORMATION**

## **COUNTY OF LEELANAU**

### **LOCATION AND DESCRIPTION**

Leelanau County has an area of 341 square miles located in the northwestern portion of Michigan's lower peninsula. The County is a peninsula bordered on the east by Grand Traverse Bay and on the north and west by Lake Michigan. The unincorporated Village of Leland, located 25 miles northwest of Traverse City, is the County seat.

The County includes several large lakes and is primarily a resort and agricultural area. Leelanau County is third in the United States in the production of cherries and is in the leading counties of the nation for other commercial fruit crops.

Located within the area are numerous lakes and streams which provide excellent summer and winter sports attractions. The abundance of fish and wildlife provides for exceptional hunting and fishing. The most popular summer attractions in the County are the Traverse Bay Entertainment and the Sleeping Bear National Park Sand Dunes. There are several fine hotels, motels, and eating establishments in the County.

### **FORM OF GOVERNMENT**

The County's legislative body is presently a five member Board of Commissioners who are elected from single member districts, determined by population, on a partisan basis for two year terms. In 2003 the Board of Commissioners will be increased to seven. The Board annually elects from within its ranks a Chairman and Vice Chairman by majority vote. The Chairman serves as Chief Executive Officer of the County.

### **POPULATION**

2000 U.S. Census	21,119
1990 U.S. Census	16,527
1980 U.S. Census	14,007

### **FISCAL YEAR**

January 1 to December 31

### **PROPERTY VALUATIONS**

Article IX, Section 3, of the Michigan Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true cash value. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Since 1995, taxable property has two valuations -- State equalized valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, multiplied by the lesser of the net percentage change in the property's SEV, or the inflation rate, or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV.

This constitutional amendment and the implementing legislation base the Taxable Value of existing property for the year 1995 on the SEV of that property in 1994 and for the years 1996 and thereafter on the Taxable Value of the property in the preceding year. Beginning with the taxes levied in 1995, an increase, if any, in Taxable Value of existing property is limited to the lesser of the percentage net change in SEV from the preceding year to the current year, 5% or the inflation rate. When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.



## *REAL PROPERTY TAX ASSESSMENTS*

Responsibility for assessing taxable real property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local assessor, the local Board of Review and ultimately to the Michigan Tax Tribunal.

The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county are responsible for actually assessing at 50% of true cash value, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the County's Department of Equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

Real property that is exempt from property taxes, e.g., churches, government property, public schools, is not included in the SEV and Taxable Value data in the Official Statement. Property granted tax abatements under Act 198, Public Acts of Michigan, 1974, as amended ("Act 198") are recorded on separate tax rolls while subject to tax abatement. The valuation of tax abated property is based upon SEV but is not included in either the SEV or Taxable Value data in the Official Statement except as noted.

## *PERSONAL PROPERTY TAX ASSESSMENTS*

Michigan personal property tax assessments have been based, since the 1960's, on the use of one or more of several different multiplier tables formulated by the State Tax Commission against taxpayer reported original cost, depending on the assessor's view of the average life of the personal property. The Michigan Department of Treasury has approved revisions to the State's personal property tax tables which are effective for the year 2000 and which may reduce overall personal property tax revenues in some jurisdictions. The State Tax Commission has informally indicated that the new multipliers should be applied prospectively. However, settlement of pending litigation lies within the sound discretion of the assessor. In anticipation of the new multipliers, many personal property taxpayers have filed appeals of their existing tax assessments. Until the new multipliers are developed and become effective, the financial impact of such appeals, if successful, on the County's property valuation is unknown.

## *APPEAL OF PROPERTY ASSESSMENTS*

Property taxpayers may appeal their assessments to the Michigan Tax Tribunal. Unless otherwise ordered by the Tax Tribunal, before the Tax Tribunal renders a decision on an assessment appeal, the taxpayer must have paid the tax bill. The County has several tax appeals pending before the Tax Tribunal (including personal property appeals), none of which are expected to have a significant impact on the County's State Equalized Valuation, Taxable Value or the resulting taxes.

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### HISTORY OF PROPERTY VALUATIONS

<u>Year</u>	<u>State Equalized Valuation</u>	<u>Taxable Value*</u>
2002	\$2,310,748,063	\$1,482,417,316
2001	1,958,406,319	1,367,941,812
2000	1,880,367,474	1,265,766,489
1999	1,526,420,485	1,191,578,708
1998	1,394,295,873	1,127,784,545
1997	1,279,124,358	1,062,492,557
1996	1,171,534,419	1,001,237,414
1995	1,054,704,647	958,910,354
1994	927,525,200	923,880,368
1993	873,166,037	Not applicable

\* Beginning in 1995, ad valorem millage is levied on the Taxable Value rather than the State Equalized Valuation. See "PROPERTY VALUATIONS" herein.

An analysis of **Taxable Value** is as follows:

	<u>BY CLASS</u>		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Real Property	\$1,445,024,255	\$1,331,419,401	\$1,231,181,602
Personal Property	37,393,061	36,522,411	34,584,887
<b>TOTAL</b>	<u><u>\$1,482,417,316</u></u>	<u><u>\$1,367,941,812</u></u>	<u><u>\$1,265,766,489</u></u>
	<u>BY USE</u>		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Residential	\$1,259,933,237	\$1,153,764,789	\$1,062,164,883
Agricultural	90,457,244	88,344,512	85,442,275
Commercial	90,889,021	86,144,001	81,538,129
Industrial	3,744,753	3,166,099	2,036,315
Personal Property	37,393,061	36,522,411	34,584,887
<b>TOTAL</b>	<u><u>\$1,482,417,316</u></u>	<u><u>\$1,367,941,812</u></u>	<u><u>\$1,265,766,489</u></u>

**2002 TAXABLE VALUE BY GOVERNMENTAL UNIT**

	<b><u>Real Property</u></b>	<b><u>Personal Property</u></b>	<b><u>TOTAL</u></b>
Townships:			
Bingham	\$110,417,436	\$2,717,140	\$113,134,576
Centerville	55,932,228	1,434,341	57,366,569
Cleveland	66,257,964	2,544,957	68,802,921
Elmwood	176,916,493	7,449,400	184,365,893
Empire	96,840,125	2,088,725	98,928,850
Glen Arbor	215,287,142	3,714,450	219,001,592
Kasson	49,644,934	3,382,945	53,027,879
Leelanau	242,691,874	4,734,513	247,426,387
Leland	240,367,438	3,499,346	243,866,784
Solon	54,613,856	1,332,614	55,946,470
Suttons Bay	128,874,328	3,963,320	132,837,648
Cities:			
Traverse City	7,180,437	531,310	7,711,747
<b>TOTAL</b>	<b><u>\$1,445,024,255</u></b>	<b><u>\$37,393,061</u></b>	<b><u>\$1,482,417,316</u></b>

Source: Leelanau County Equalization Department

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### MAJOR TAXPAYERS

According to County officials, the 2002 State Equalized Valuation and the 2002 Taxable Value of each of the County's major taxpayers is as follows:

<u>Taxpayer</u>	<u>State Equalized Valuation</u>	<u>Taxable Value</u>
Consumers Energy	\$9,616,961	\$9,504,411
Department of Natural Resources	9,456,700	5,186,618
Michigan Consolidated Gas	4,156,256	4,156,256
Lake States Insurance Co.	3,869,200	3,030,587
Bayberry Group, Inc.	3,741,000	2,610,669
Ennis Creek Development LLC	2,547,513	2,108,749
Cedar Creek Senior Apartments	1,984,600	1,984,600
Liadsa LLC	1,933,714	1,931,179
Toms Food Market & Family Ctr.	1,806,870	1,604,554
Jade Venture Group LLC	1,602,120	1,582,651
Cherry Bay Orchards, Inc.	3,426,992	1,563,401
S. Fox Island Acquisition Corp.	4,614,263	1,515,603
Brooks, Ronald D & Deborah F.	1,435,800	1,335,408
Sugar Loaf Ridge Development	1,885,565	1,317,340
Blackstar Farms, LLC	1,374,320	1,271,219
Three T Partnership	1,686,700	1,243,382
The Homestead	1,213,800	1,213,800
Shady Trails Camp LLC	1,223,036	1,188,911
Howard Energy Co., Inc.	1,954,000	1,180,012
Byerly, Robert W.	2,131,300	1,131,253

Source: Manatron, Inc.

**TAX RATES\***  
(Per \$1,000 of Taxable Value)

		<u>2002</u>	<u>2001</u>	<u>2000</u>
County of Leelanau	- Operating	\$4.0795	\$4.1752	\$4.2483
	- Roads	0.5000	0.4914	0.5000
	- Senior Services	0.2750	0.0000	0.0000
	- BATA <sup>(1)</sup>	<u>0.3500</u>	<u>0.1713</u>	<u>0.1740</u>
Total		<u>\$5.2045</u>	<u>\$4.8379</u>	<u>\$4.9223</u>

<sup>(1)</sup> Bay Area Transportation Authority ("BATA") is subject to vote on November 5, 2002.

Source: County of Leelanau

**TAX RATE LIMITATIONS**

Article IX, Section 6, of the Michigan Constitution of 1963 provides in part:

"Except as otherwise provided in this Constitution, the total amount of general ad valorem taxes imposed upon real and tangible personal property for all purposes in any one year shall not exceed 15 mills on each dollar of the assessed valuation of property as finally equalized."

Section 6 further provides that by a majority vote of qualified electors of the County, the 15 mill limitation may be increased to a total of not to exceed 18 mills, and the millages of the local units involved shall then be permanently fixed within that greater millage limitation.

Act 62, Public Acts of Michigan, 1933, as amended, defined local units as Counties, Townships, Villages, Cities, a First Class School District (only Detroit schools), Community College Districts, Intermediate School Districts, and Districts, Divisions and other organizations which may be established that have the power to levy taxes, except Villages and Cities which have provisions in their charters or general law fixing maximum limits on the power to levy taxes against property and School Districts.

The amount of mills, per \$1,000 of Taxable Value, allocated to the County, townships in the County and the intermediate school district have been fixed by vote on November 4, 1969, as follows:

<u>Units of Government</u>	<u>Millage Rates</u>	<u>Maximum Authorized Tax Rate <sup>(1)</sup></u>
County of Leelanau	\$6.2000	\$4.0795
Any Township	1.0000	
Intermediate School District	<u>0.2700</u>	
Total	<u>\$7.4700</u>	

<sup>(1)</sup> See "Constitutional Millage Roll-Back", below.

Pursuant to Act 314 of the Public Acts of Michigan of 1993, as amended, school districts may not levy mills allocated to them by vote, and any subsequent vote to reallocate mills among local units may not include the number of mills allocated to the school district in 1993.

In addition, Article IX, Section 6, permits the levy of millage in excess of the above for:

1. All debt service on tax supported bond and bonds issued prior to December 23, 1978 or tax supported issues which have been approved by the voters for which the issuer has pledged its full faith and credit.
2. Operating purposes for a specified period of time provided that said increase is approved by a majority of the qualified electors of the local unit.
3. Payment of valid judgments levied in accordance with State law.

## CONSTITUTIONAL MILLAGE ROLL-BACK

Article IX, Section 31 of the Michigan Constitution requires that if the total value of existing taxable property in a local taxing unit, exclusive of new construction and improvements, increases faster than the U.S. Consumer Price Index from one year to the next, the maximum authorized tax rate for that local taxing unit must be permanently reduced through a Millage Reduction Fraction unless reversed by a vote of the electorate of the local taxing unit.

## TAX LEVIES AND COLLECTIONS

<u>Year</u>	<u>Tax Levy</u>	<u>Collections to March 1 of Following Year</u>	
2001	\$36,559,949	\$34,253,347	93.69%
2000	33,671,541	31,348,287	93.10%
1999	30,787,669	28,694,307	93.20%
1998	29,294,926	27,140,786	92.65%
1997	27,777,300	25,616,288	92.22%
1996	26,782,860	24,631,059	91.97%
1995	25,271,895	22,952,724	90.82%
1994	23,288,440	20,978,287	90.08%
1993	24,631,010	22,146,899	89.91%

Source: Treasurer, County of Leelanau

The County's taxes are due and payable at the offices of the various local Treasurers and under currently applicable law a lien is created upon the assessed property on December 1 of each year. All real property taxes remaining unpaid on the following March 1st are turned over to the County Treasurer for collection.

The General Property Tax Act was amended by Act 123 of Public Acts of Michigan of 1999 ("Act 123") which made extensive revision to the procedures for collection of delinquent real property taxes. In general, for real property taxes levied after December 31, 1998, all property returned for delinquent taxes is subject to forfeiture, foreclosure and sale for the delinquent taxes in lieu of the tax lien sale held heretofore by the County Treasurer on the second Monday in May (which followed by twenty six (26) months the return of the delinquent taxes). Act 123 has the effect of shortening the process for collection of delinquent real property taxes from approximately six years (including statutory redemption periods) to approximately four years. Act 123 will not affect the obligation or authority of the County to levy any taxes necessary for payment of debt service on general obligation limited tax bonds of the County, including the Bonds offered herein, subject to constitutional and statutory limitations.

Leelanau County has established a Delinquent Tax Revolving Fund which pays all real property taxes returned delinquent to the County Treasurer as of March 1st of each year. Said fund pays all local units, school districts, villages, townships and the County general fund for the full amount of taxes levied against real property. If feasible, it is anticipated that the County will continue to reimburse the County for any uncollected taxes, but there is no assurance that this will be the case since the County is not obligated to continue this fund in future years. Uncollected personal property taxes must be collected by the local treasurer and are negligible.

## REVENUES FROM THE STATE OF MICHIGAN

The County receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended (the "Revenue Sharing Act"). The table appearing at the end of this section shows State revenue sharing distributions received by the County during the County's past four fiscal years, and the estimated receipts for the County's fiscal years ending December 31, 2002 and 2003.

The State's fiscal year begins October 1 of each year and ends September 30 of the following calendar year. Before the State's 1996-97 fiscal year, the State shared revenues received from personal income tax, intangibles tax, sales tax and single business tax collections with counties, cities, townships and villages. In 1996, the State legislature began reform of both the formula for distribution of State revenue sharing and the designated sources of revenue to be shared. At that time, the State expressly designated the revenues of the sales tax as the sole source for revenue sharing.

At the end of calendar year 1998, the Legislature again amended the Revenue Sharing Act to accomplish the following:

- To freeze payments to the City of Detroit for 8.5 years at 1997-98 levels.
- To create a three-part formula for distribution to all other cities, villages and townships.
- To re-adjust the percent share of statutory distributions from 24.5% for counties and 75.5% to cities, villages and townships, to 25.06% for counties and 74.94% to cities, villages and townships.
- To limit the annual increase in distributions to any one city, village or township to 8% of the previous year's distribution.
- To provide for an 8.5 year phase-in of the new formulas, beginning in the State's fiscal year ending September 30, 1999.
- To create an artificial sunset of the statute by including language that revenue sharing after June 30, 2007 will be distributed "as provided by law".

The sales tax revenues come from a 6% State levy on retail sales (other than sales of items such as food and drugs). The State Constitution limits the rate of sales tax to 6%, and dedicates 100% of the revenue of sales tax imposed at a rate of 2% to the State School Aid Fund. The State Constitution further mandates that 15% of the total revenues collected from sales taxes levied at the remaining 4% be distributed to townships, cities and villages. The Revenue Sharing Act distributes an additional 21.3% of those revenues to Michigan municipalities. The State's ability to make revenue sharing payments to the County in the amounts and at the times specified in the Revenue Sharing Act is subject to the State's overall financial condition and its ability to finance any temporary cash flow deficiencies.

For each twelve month period beginning with the State fiscal year ended September 30, 1999, through June 30, 2007, the County will receive its pro rata share determined per capita of the following amount:

25.06% of 21.3% of the difference between the sales tax collections at a rate of 4% in the 12-month period ending June 30 of the state fiscal year in which the payments are made and \$31,926,947.32

The County's receipts could therefore vary depending on the population of the County and the County's taxable value per capita compared to the population and taxable value per capita in the State as a whole.

In addition to payments of revenue sharing moneys, the State pays the County to support judges' salaries, as well as other miscellaneous state grants.

Revenue sharing payments and other monies paid to municipalities (other than the portion which is mandated by the State constitution) are subject to annual appropriation by the State legislature, and may be reduced or delayed by Executive Order during any fiscal year in which the Governor, with the approval of the legislature's appropriation committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based.

The following table sets forth the annual revenue sharing payments and other monies received by the County for the fiscal years ended December 31, 1998 through December 31, 2001 and the currently anticipated revenue sharing payments to be received in the fiscal years ending December 31, 2002 and 2003.

Fiscal Year Ending		Revenue
<u>December 31</u>		<u>Sharing Payments</u>
2003	*	\$437,407
2002	*	420,326
2001		430,577
2000		336,141
1999		311,630
1998		311,597

\*Estimated as of October, 2002

Source: Web site <http://treasury.state.mi.us>

#### LABOR AGREEMENTS

The County has four (4) employee bargaining units which have negotiated comprehensive salary, wage, fringe benefit and working conditions contracts with the County. The duration of these agreements are as follows:

<u>Employee Group</u>	<u>Number of Employees</u>	<u>Expiration Date of Contract</u>
Sheriff's Department POAM	25	December 31, 2003
Sheriff's Department COAM	7	December 31, 2004
County Road Commission	33	August 31, 2001 (1)

On October 1, 2002, the employees of the County formed the "Leelanau County Employees Association". The Leelanau County Employees Association has thirty six (36) members and the contract is under negotiation.

Source: County of Leelanau

#### RETIREMENT PLAN

The County participates in the Michigan Municipal Employee Retirement System ("MERS"). All full-time employees are eligible to participate in MERS, an agent multiple-employer, defined benefit pension plan. The County makes annual contributions based on an annual actuarial review. The County's contribution to the plan for the year ended December 31, 2001 was \$214,782, in accordance with the actuarial valuation performed as of December 31, 1999. Unfunded actuarial liabilities are being amortized as a level percentage of payroll on a closed bases and the remaining amortization over a period of thirty (30) years.

Source: County of Leelanau audited financial statement fiscal year ended December 31, 2001



**GENERAL FUND-FUND BALANCE**

The County's General Fund fund balance for the last five years has been as follows:

Fiscal Year Ending	
<u>December 31</u>	<u>Fund Balance</u>
2001	\$3,869,371
2000	3,112,743
1999	3,515,173
1998	2,511,112
1997	1,709,637

---

Source: County of Leelanau audited financial statements

*{This space is left intentionally blank.}*

# **DEBT STATEMENT**

(As of December 2, 2002, including Bonds described herein)

<b>DIRECT DEBT:</b>	<b>Gross</b>	<b>Self-Supporting or Portion Paid Directly By Benefited Municipalities</b>	<b>Net</b>
General Obligation Bonds	\$7,000,000	\$7,000,000	\$0
Sewer Bonds	1,980,000 (1)	1,980,000	0
<b>Total</b>	<b>\$8,980,000</b>	<b>\$8,980,000</b>	<b>\$0</b>

(1) Of this amount, \$380,000 is No County Credit Pledged

<b>OVERLAPPING DEBT:</b>	
School Districts	\$42,335,080
Intermediate School Districts	0
Villages, Townships and City	5,499,141
Library	20,216
<b>TOTAL OVERLAPPING DEBT</b>	<b>\$47,854,437</b>
<b>NET DIRECT AND OVERLAPPING DEBT</b>	<b>\$47,854,437</b>

Source: Municipal Advisory Council of Michigan

<b>DEBT RATIOS:</b>	
Per Capita 2002 State Equalized Valuation	\$109,415.60
Per Capita 2002 True Cash Value	\$218,831.20
Per Capita Net Direct Debt	\$0.00
Per Capita Combined Net Direct and Overlapping Debt	\$2,265.94
Percent Net Direct Debt and State Equalized Valuation	0.000%
Percent Net Direct and Overlapping Debt of State Equalized Valuation	2.071%
Percent of Net Direct Debt of True Cash Value	0.000%
Percent of Net Direct and Overlapping Debt of True Cash Value	1.035%

# **SCHEDULE OF BOND MATURITIES**

(As of December 2, 2002, including Bonds described herein)

<b>Year</b>	<b>General Obligation Bonds</b>	<b>(1) Sewer Bonds</b>
2002	\$0	\$0
2003	75,000	225,000
2004	100,000	250,000
2005	100,000	250,000
2006	125,000	255,000
2007	150,000	255,000
2008	150,000	260,000
2009	175,000	260,000
2010	200,000	225,000
2011	200,000	0
2012	225,000	0
2013	250,000	0
2014	250,000	0
2015	275,000	0
2016	300,000	0
2017	300,000	0
2018	325,000	0
2019	350,000	0
2020	350,000	0
2021	375,000	0
2022	400,000	0
2023	400,000	0
2024	450,000	0
2025	475,000	0
2026	500,000	0
2027	500,000	0
	<u>\$7,000,000</u>	<u>\$1,980,000</u>

(1) Of this amount, \$380,000 is No County Credit Pledged

## **STATEMENT OF LEGAL DEBT MARGIN**

(As of December 2, 2002, including Bonds described herein)

2002 State Equalized Valuation		<u>\$2,310,748,063</u>
Debt Limit (10% of State Equalized Valuation)		\$231,074,806
Amount of Outstanding Debt (See Debt Statement)	\$8,980,000	
Less: No County Credit Pledged Bonds	<u>380,000</u>	<u>8,600,000</u>
<b>LEGAL DEBT MARGIN</b>		<u><b>\$222,474,806</b></u>

DEBT HISTORY: There is no record of default.

FUTURE BONDING: The County does not anticipate the issuance of any bonds or notes within the next six months.

### MAJOR EMPLOYERS

According to County officials, major employers in the County are as follows:

<u>Firm Name</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Grand Traverse Band of Ottawa	Legislative chamber	250
Suttons Bay Public School District	School/education	178
Leelanau Memorial Hospital	Health care	140
Triple D Orchards, Inc.	Cherry processing	50
National Park Service	Amusement/recreation	81
Glen Lake Community School District	School/education	80
Leelanau County	Legislative chamber	75
Western Ave Grill	Restaurant	55
Leland Public Schools	School/education	55
Leelanau Fruit Co.	Processed & frozen fruits	50
Leelanau Redi-Mix, Inc.	Ready mix, sand, gravel	45
Leelanau Coffee Roasting Co.	Coffee Roasting	30
Shrewood Manufacturing Corp.	Structural metal fabricating	25
Thomas & Miliken Milwork, Inc.	Milwork, custom wood prod.	20
Master Craft Tools	Machine shop	18
Lake Michigan Hardwood Co.	Grade hardwood	18
Leelanau Enterprise & Tribune	Newspaper publishing	15
Leelanau Wine Cellars, Ltd.	Table wine	12
Kasson Sand & Gravel Inc.	Sand & gravel	10

*{This space is left intentionally blank.}*

## LABOR CHARACTERISTICS

The 2000 U.S. Census of Population lists the labor force characteristics for the County of Leelanau, for employed persons 16 years and over, as follows:

<u>BY OCCUPATION:</u>	<u>Number of Employees</u>
Management, professional and related occupations .....	3,488
Service occupations .....	1,557
Sales and office occupations .....	2,449
Farming, forestry and fishing occupations .....	144
Construction, extraction and maintenance occupations .....	1,218
Production, transportation and material moving occupations .....	1,089
<b>TOTAL</b> .....	<b><u>9,945</u></b>

<u>BY INDUSTRY:</u>	<u>Number of Employees</u>
Agriculture, forestry, fishing, hunting and mining .....	329
Construction .....	1,144
Manufacturing .....	981
Wholesale trade .....	238
Retail trade .....	1,121
Transportation and warehousing, and utilities .....	264
Information .....	203
Finance, insurance, real estate, rental and leasing .....	651
Professional, scientific, management, administrative and waste management services ....	747
Educational, health and social services .....	2,221
Arts, entertainment, recreation, accommodation and food services .....	1,168
Other professional and related services .....	452
Public administration .....	426
<b>TOTAL</b> .....	<b><u>9,945</u></b>

*{This space is left intentionally blank.}*

## COMMERCIAL CHARACTERISTICS

An estimate of retail sales for the County of Leelanau as shown by the 2002 "Editor and Publisher Market Guide" is as follows:

	Number of Stores <sup>1</sup>	Estimates of Sales <sup>2</sup>
	<u>County of Leelanau</u>	<u>County of Leelanau</u>
Automotive	3	\$538
Furniture	8	13,433
Electrical	1	2,246
Building Materials	17	26,798
Food/Beverage	26	38,760
Health	6	6,342
Gasoline	10	8,567
Apparel	25	11,142
General Merchandise	0	0

<sup>1</sup> 1997

<sup>2</sup> Thousands

## UNEMPLOYMENT DATA

According to the Michigan Department of Career Development, Employment Security Agency, Office of Labor Market Information, the unemployment statistics for the County of Leelanau during the last three calendar years, and the most recent data available for 2002, are as follows:

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
January	6.1%	4.7%	4.7%	5.5%
February	5.9	5.2	4.5	5.1
March	6.2	5.0	4.3	5.3
April	4.9	3.7	3.0	4.0
May	4.1	2.7	2.4	2.8
June	4.4	2.5	2.3	2.7
July	3.8	2.0	1.5	1.9
August	3.3	2.2	1.8	1.9
September	3.0	2.7	2.1	2.3
October		2.3	2.3	2.4
November		3.9	3.5	3.1
December		<u>4.4</u>	<u>3.7</u>	<u>3.6</u>
Annual Average		<u>3.4%</u>	<u>3.0%</u>	<u>3.3%</u>

## **AGRICULTURAL CHARACTERISTICS**

According to the 1997 U.S. Census of Agriculture, Leelanau County had 369 farms in 1997 compared to 374 farms in 1992, encompassing approximately 62,129 acres. The average farm was approximately 168 acres in size in 1997 compared to 174 acres in size in 1992.

The value of agricultural products sold in 1997 for Leelanau County farms amounted to \$28,725,000 compared to \$25,039,000 in 1992 and the average value per farm amounted to \$77,845 in 1997 compared to \$66,949 in 1992.

A breakdown of farm size (harvested) in 1997 is as follows:

Under 49 acres	26.28%
50 to 179 acres	47.16%
180 to 499 acres	21.68%
500 acres and over	4.88%

72.63% of the farms in the County are owner-operated; 23.31% are operated by part-time owners; 4.06% by tenants. Of the above, 60.98% devote full-time to farming and 39.02% devote part-time to farming.

## **RESIDENTIAL CHARACTERISTICS**

There are 13,297 housing units located within the County according to the 2000 U.S. Census of Population and Housing, of which 69.1% are year-round homes; 84.6% are owner-occupied. A breakdown of the dwelling units is as follows:

Single Family	86.3%
Multi Family	8.2%
Mobile Homes	5.5%

According to the 2000 U.S. Census of Population and Housing, the median value of an owner-occupied residence in the County is \$165,400.

## **INCOME CHARACTERISTICS**

There were 8,458 households in the County in 1999, according to the 2000 U.S. Census, which had a median household income of \$47,062. A breakdown of the income for the County's households is as follows:

Income of Households	Number of Households
Less than \$10,000	397
\$10,000 to \$14,999	425
\$15,000 to \$24,999	957
\$25,000 to \$34,999	1,091
\$35,000 to \$49,999	1,671
\$50,000 to \$74,999	2,115
\$75,000 to \$99,999	798
\$100,000 to \$149,999	624
\$150,000 or more	380

The per capita income for the County in 1999 was \$24,686.

### AGE STATISTICS

Age groups for the County's residents, according to the U.S. Census, are as follows:

	<b>1990</b>	<b>2000</b>
	<u>Percentage</u>	<u>Percentage</u>
Under 5 Years	7.55%	5.09%
5 to 19 Years	18.53%	21.54%
20 to 24 Years	6.75%	3.51%
25 to 44 Years	31.53%	24.18%
45 to 64 Years	20.72%	28.31%
Over 65 Years	14.92%	17.37%

### EDUCATIONAL CHARACTERISTICS

The primary and secondary educational needs of the residents of the County are adequately handled by five (5) public school districts which serve the County. Higher educational opportunities are available at Northwestern Michigan College located in Traverse City, Michigan, which is a fully accredited two-year community college.

According to the 2000 U.S. Census, the educational characteristics for the County of Leelanau are as follows:

<u>Years of School Completed</u>	<u>Persons 25 and Over</u>
Less than 9th grade	2.7%
9th to 12th grade, no diploma	6.5%
High school graduate	26.5%
Some college no degree	23.8%
Associate degree	9.0%
Bachelor's degree	19.7%
Graduate or professional degree	11.8%

### UTILITIES

County residents are supplied with water by various municipal systems, operated by the Villages. Natural gas is provided to County residents by Michigan Consolidated Gas Company. Electric energy is provided by Consumers Energy, Cherryland Rural Electric Corporation and North Michigan Electric.

### TRANSPORTATION

Leelanau County is easily accessible via Interstate 75, Michigan Highways 22 and 72. Bus service is provided by Greyhound. General aviation air service is available at Cherry Capital Airport, Traverse City, Michigan.

### BANKING

The banking needs of the County's residents can be adequately served by the following, all of which have branches located in the County:

Bank One, Michigan  
Fifth Third Bank  
The Huntington National Bank  
Northwestern Savings Bank & Trust  
Traverse City State Bank

Source: The Registry of Michigan Financial Institutions, 2002 Edition and the County of Leelanau.



## **SECTION C**

### **FORM OF LEGAL OPINION**



500 WOODWARD AVENUE, SUITE 4000  
DETROIT, MICHIGAN 48226-3425  
TELEPHONE: (313) 223-3500  
FACSIMILE: (313) 223-3598  
<http://www.dickinson-wright.com>

\_\_\_\_\_, 2002

County of Leelanau  
State of Michigan

We have acted as bond counsel in connection with the issuance by the County of Leelanau, State of Michigan (the "County") of \$7,000,000 Law Enforcement Center Bonds (Limited Tax General Obligation) dated December 1, 2002 (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

The Bonds are valid and legally binding obligations of the County.

The full faith and credit of the County have been pledged for the payment of the principal of and interest on the Bonds when due. The principal of and interest on the Bonds are payable as a first budget obligation of the County from its general funds. Taxes imposed by the County for payment of such principal and interest are subject to constitutional and statutory limitations.

The Bonds and the interest thereon are exempt from all taxation by the State of Michigan or a political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

The interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. We note, however, 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. The opinion set forth in clause (a) above is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such

C-2

C o u n s e l l o r s   A t   L a w

DETROIT   BLOOMFIELD HILLS   LANSING   GRAND RAPIDS   ANN ARBOR   WASHINGTON, D.C.

requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The County has covenanted to comply with all such requirements. The County has designated the Bonds as "qualified tax-exempt obligations" described in Section 265(b)(3)(B) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement also may be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

BLOOMFIELD 9925-3 506477

C-3

C o u n s e l l o r s   A t   L a w

D E T R O I T      B L O O M F I E L D   H I L L S      L A N S I N G      G R A N D   R A P I D S      A N N   A R B O R      W A S H I N G T O N ,   D . C .

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**SECTION D**

**GENERAL FUND FINANCIAL STATEMENTS  
OF THE COUNTY OF LEELANAU  
FOR THE FISCAL YEARS ENDED  
DECEMBER 31, 2001, 2000 AND 1999**

## FINANCIAL INFORMATION

*The following financial information has been compiled from information provided in the County of Leelanau audited Financial Statements for the fiscal years ended December 31, 2001, 2000 and 1999. These audited Financial Statements were prepared in accordance with the Generally Accepted Accounting Principles. The County's auditors have not been asked to consent to the use of information from such audited Financial Statements in the Preliminary Official Statement nor the final Official Statement and have not conducted any subsequent review of such audited Financial Statements or of the information presented in this Section D.*

Copies of audited Financial Statements of the County may be obtained from any of the following NRMSIR's or the SID.

### ***NRMSIR's***

Bloomberg Municipal Repositories  
100 Business Park Drive  
Skillman, NJ 08558  
Telephone: 1-609-279-3225  
Fax: 1-609-279-5962  
e-mail: Munis@Bloomberg.com

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Telephone: 1-201-346-0701  
Fax: 1-201-947-0107  
e-mail: nrmsir@dpcdata.com  
Website: <http://www.dpcdata.com>

Standard & Poor's JJ Kenny Repository  
55 Water Street  
45th Floor  
New York, NY 10041-0003  
Telephone: 1-212-438-4595  
Fax: 1-212-438-3975  
e-mail: nrmsir\_repository@sandp.com

FT Interactive Data  
ATTN: NRMSIR  
100 William Street  
New York, NY 10038  
Telephone: 1-212-771-6999  
Fax: 1-212-771-7390 (Secondary Market Info.)  
1-212-771-7391 (Primary Market Info.)  
e-mail: NRMSIR@FTID.com

### ***SID***

Municipal Advisory Council of Michigan  
1445 First National Building  
Detroit, MI 48226-3517  
Telephone: 1-313-963-0420  
1-800-337-0696  
Fax: 1-313-963-0943

COUNTY OF LEELANAU  
GENERAL FUND - BALANCE SHEET  
FOR YEARS ENDED DECEMBER 31

<u>ASSETS AND OTHER DEBITS</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Cash and cash equivalents	\$2,909,160	\$3,029,812	\$3,314,292
Investments	614,582	0	0
Receivables -			
Accounts	51,743	30,291	46,452
Taxes	5,722,862	5,389,843	5,185,376
Interest	4,402	22,717	188
Due from other funds	204,934	49,799	147,561
Due from other governmental units	288,537	180,559	164,163
Prepaid items	70,741	108,883	113,608
TOTAL ASSETS AND OTHER DEBITS	<u>\$9,866,961</u>	<u>\$8,811,904</u>	<u>\$8,971,640</u>
 <u>LIABILITIES, EQUITY AND OTHER CREDITS</u>			
Liabilities:			
Accounts payable	\$133,018	\$183,798	\$167,182
Accrued payroll	119,853	104,663	103,909
Due to other funds	21,857	20,857	0
Deferred revenue	5,722,862	5,389,843	5,185,376
TOTAL LIABILITIES	<u>\$5,997,590</u>	<u>5,699,161</u>	<u>5,456,467</u>
 Fund Balance:			
Reserved	70,741	108,883	113,608
Unreserved -			
Unreserved - designated			
Undesignated - undesignated	3,798,630	3,003,860	3,401,565
TOTAL FUND EQUITY	<u>3,869,371</u>	<u>3,112,743</u>	<u>3,515,173</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$9,866,961</u>	<u>\$8,811,904</u>	<u>\$8,971,640</u>

Source: Leelanau County General Purpose Financial Statements

COUNTY OF LEELANAU  
GENERAL FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
AS OF DECEMBER 31

	2001	2000	1999
<b>REVENUES:</b>			
Taxes	\$5,415,147	\$5,209,352	\$5,006,258
Licenses and permits	11,592	10,882	520,707
Intergovernmental revenue			
Federal	72,206	90,211	110,885
State	1,138,873	871,491	727,982
Local	75,089	88,425	121,897
Charges for services	688,110	576,861	617,656
Fines and forfeits	750	5,150	5,400
Interest	410,318	566,856	414,971
Refund and reimbursement	90,201	96,981	105,602
Other revenue	118,884	86,654	60,102
<b>TOTAL REVENUES</b>	<b>8,021,170</b>	<b>7,602,863</b>	<b>7,691,460</b>
<b>EXPENDITURES:</b>			
Current -			
Legislative	299,566	246,806	209,349
Judicial	1,029,712	970,152	902,523
General government	1,609,931	1,617,966	1,521,434
Public safety	2,582,957	2,509,127	2,671,166
Health and welfare	567,106	564,086	355,387
Recreation and cultural	45,804	39,094	21,752
Other	186,115	177,261	168,600
<b>TOTAL EXPENDITURES</b>	<b>6,321,191</b>	<b>6,124,492</b>	<b>5,850,211</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,699,979</b>	<b>1,478,371</b>	<b>1,841,249</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	\$19,115	31,007	102,685
Operating transfers out	(962,466)	(1,861,808)	(946,612)
Operating transfers (to) component units	0	(50,000)	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(943,351)</b>	<b>(1,880,801)</b>	<b>(843,927)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>756,628</b>	<b>(402,430)</b>	<b>997,322</b>
<b>FUND BALANCE AT BEGINNING OF THE YEAR</b>	<b>3,112,743</b>	<b>3,515,173</b>	<b>2,511,112</b>
<b>EQUITY TRANSFERS IN (OUT)</b>	<b>0</b>	<b>0</b>	<b>6,739</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$3,869,371</b>	<b>\$3,112,743</b>	<b>\$3,515,173</b>

Source: Leelanau County General Purpose Financial Statements



## **SECTION E**

### **FORM OF CONTINUING DISCLOSURE UNDERTAKING**

## CONTINUING DISCLOSURE CERTIFICATE

COUNTY OF LEELANAU

\$7,000,000

Law Enforcement Center Bonds (Limited Tax General Obligation)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Leelanau (the "County") in connection with the issuance of its Law Enforcement Center Bonds (Limited Tax General Obligation) in the aggregate principal amount of \$7,000,000 (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Commissioners of the County on September 17, 2002, as amended (the "Resolution"). The County covenants and agrees as follows:

### SECTION 1. Purpose of the Disclosure Certificate.

(a) This Disclosure Certificate is being executed and delivered by the County for the benefit of the Bondholders and the Beneficial Owners and in order to assist the Participating Underwriter in complying with subsection (b)(5) of the Rule.

(b) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Disclosure Certificate shall be deemed to be and shall constitute a contract between the County and the Bondholders and Beneficial Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the County shall be for the benefit of the Bondholders and Beneficial Owners of any and all of the Bonds.

SECTION 2. Definitions. The following capitalized terms shall have the following meanings in this Disclosure Certificate:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the County, or any successor Dissemination Agent appointed in writing by the County and which has filed with the County a written acceptance of such appointment.

"GAAP" shall mean generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board. As of the date of this Disclosure Certificate, the address and telephone numbers of the MSRB are as follows:

CDI  
1640 King Street, Suite 300  
Alexandria, Virginia 22314-2719  
Tel: (202) 2239503  
Fax: (703) 6831930

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the SEC are set forth in Exhibit A.

"Official Statement" shall mean the final Official Statement for the Bonds dated \_\_\_\_\_, 2002.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the primary offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c212 promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guidance or other official interpretations or explanations thereof that are promulgated by the SEC.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Counsel" shall mean legal counsel expert in federal securities law.

"State" shall mean the State of Michigan.

"State Repository" shall mean any public or private repository or entity designated by the State as a state information depository for the purpose of the Rule and recognized as such by the SEC. As of the date of this Disclosure Certificate, the only State Repository is the Municipal Advisory Council of Michigan, 1445 First National Building, Detroit, Michigan 48226-3517, Tel: (313) 963-0420, Fax: (313) 963-0943.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

**SECTION 3. Provision of Annual Reports.**

(a) Each year, the County shall provide, or shall cause the Dissemination Agent to provide, not later than seven months after the first day of the County's fiscal year, commencing with the County's Annual Report for its fiscal year ending December 31, 2002, to each Repository an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information as provided in Section 4 of this Disclosure Certificate; provided, however, that if the audited financial statements of the County are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements then most recently prepared for the County shall be included in the Annual Report.

(b) If the County is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the County shall send a notice, in a timely manner, to each National Repository or the MSRB, and to the State Repository, in substantially the form attached as Exhibit B.

(c) If the County's fiscal year changes, the County shall send written notice of such change to each National Repository or the MSRB, and to the State Repository, in substantially the form attached as Exhibit C.

(d) Whenever any Annual Report or portion thereof is filed as described above, it shall be attached to a cover sheet in substantially the form attached as Exhibit D.

(e) The Dissemination Agent shall:

(1) determine each year, prior to the date for providing the Annual Report, the name and address of each National Repository and the State Repository; and

(2) if the Dissemination Agent is other than the County, file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(f) In connection with providing the Annual Report, the Dissemination Agent (if other than the County) is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the Annual Report for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the County for its fiscal year immediately preceding the due date of the Annual Report.

(b) Updates of the financial information and operating data relating to the County contained in the following portions of Section B of the Official Statement:

- (1) History of Property Valuations;
- (2) Major Taxpayers;
- (3) Tax Rates;
- (4) Tax Rate Limitations;
- (5) Tax Levies and Collections;
- (6) Revenue Sharing Payments;
- (7) Labor Agreements;
- (8) Retirement Plan;
- (9) General Fund – Fund Balance;
- (10) Debt Statement – Direct Debt; and
- (11) Statement of Legal Debt Margin.

The County's financial statements shall be audited and prepared in accordance with GAAP with such changes as may be required from time to time in accordance with State law.

Any or all of the items listed above may be included by specific reference to other documents that previously have been provided to each of the Repositories or filed with the SEC. Notwithstanding the foregoing, if the document included by reference is a final official statement, it need only be available from the MSRB. The County shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The County covenants to provide, or cause to be provided, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner and in accordance with the Rule:

- (1) principal and interest payment delinquencies;
- (2) nonpayment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of Bondholders;
- (8) Bond calls;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds; and
- (11) rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws. The County covenants that its determination of materiality will be made in conformance with federal securities laws.

(c) If the County determines that the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly cause a notice of such occurrence to be filed with each National Repository or the MSRB, and with the State Repository, together with a cover sheet in substantially the form attached as Exhibit D. In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(9), the County shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Dissemination Agent (if other than the County), solely in its capacity as such, is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

(e) The County acknowledges that the "rating changes" referred to above in Section 5(a)(11) of this Disclosure Certificate may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the County is liable [or on any indebtedness for which [bond insurer] is liable].

(f) The County acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the County does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

(g) As of the date of this Disclosure Certificate, the Listed Events described in subsections (a)(3), (4), (5) and (10) are not applicable to the Bonds.

#### SECTION 6. Termination of Reporting Obligation.

(a) The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance of the Resolution or the prior redemption or payment in full of all of the Bonds.

(b) This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the County (i) receives an opinion of Securities Counsel, addressed to the County, to the effect that those portions of the Rule, which require such provisions of this Disclosure Certificate, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) delivers notice to such effect to each National Repository or the MSRB, and to the State Repository.

SECTION 7. Dissemination Agent. The County, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the County. Except as otherwise provided in this Disclosure Certificate, the Dissemination Agent (if other than the County) shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate.

#### SECTION 8. Amendment; Waiver.

(a) Notwithstanding any other provision of this Disclosure Certificate, this Disclosure Certificate may be amended, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(1) if the amendment or waiver relates to the provisions of Section 3(a), (b), (c), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the County or the type of business conducted by the County;

(2) this Disclosure Certificate, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) the amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

(b) In the event of any amendment to, or waiver of a provision of, this Disclosure Certificate, the County shall describe such amendment or waiver in the next Annual Report, and shall include an explanation of the reason for such amendment or waiver. In particular, if the amendment results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Disclosure Certificate, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

(c) If the amendment results in a change to the accounting principles to be followed in preparing financial statements as set forth in Section 4 of this Disclosure Certificate, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in accounting principles shall be sent by the County, or the Dissemination Agent (if other than the County) at the written direction of the County, to each National Repository or the MSRB, and to the State Repository.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Failure to Comply. In the event of a failure of the County or the Dissemination Agent (if other than the County) to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may bring an action to obtain specific performance of the obligations of the County or the Dissemination Agent (if other than the County) under this Disclosure Certificate, but no person or entity shall be entitled to recover monetary damages hereunder under any circumstances, and any failure to comply with the obligations under this Disclosure Certificate shall not constitute a default with respect to the Bonds or under the Resolution.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter, the Bondholders and the Beneficial Owners, and shall create no rights in any other person or entity.

SECTION 13. Transmission of Information and Notices. Unless otherwise required by law or this Disclosure Certificate, and, in the sole determination of the County or the Dissemination Agent, as applicable, subject to technical and economic feasibility, the County or the Dissemination Agent, as applicable, shall employ such methods of information and notice transmission as shall be requested or recommended by the herein designated recipients of such information and notices.

SECTION 14. Additional Disclosure Obligations. The County acknowledges and understands that other State and federal laws, including, without limitation, the Securities Act of 1933, as amended, and Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act, may apply to the County, and that under some circumstances, compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the County under such laws.

SECTION 15. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

COUNTY OF LEELANAU

By: \_\_\_\_\_  
VICKI KILWAY  
Its: Treasurer

Dated: \_\_\_\_\_, 2002

## **EXHIBIT A**

The nationally recognized municipal securities information repositories approved by the Securities and Exchange Commission as of \_\_\_\_\_, 2002, are set forth below:

### **Bloomberg Municipal Repository**

100 Business Park Drive  
Skillman, New Jersey 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

### **DPC Data Inc.**

One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

### **FT Interactive Data**

Attn: NRMSIR  
100 William Street  
New York, New York 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390 (Secondary Market Information)  
(212) 771-7391 (Primary Market Information)  
Email: [NRMSIR@FTID.com](mailto:NRMSIR@FTID.com)

### **Standard & Poor's J. J. Kenny Repository**

55 Water Street  
45th Floor  
New York, NY 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)  
Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

EXHIBIT B

NOTICE TO EACH NATIONAL REPOSITORY OR  
THE MSRB, AND TO THE STATE REPOSITORY,  
OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person: County of Leelanau  
Name of Bond Issue: \$7,000,000 Law Enforcement Center Bonds (Limited Tax General Obligation)  
Date of Bonds: November 1, 2002

NOTICE IS HEREBY GIVEN that the County of Leelanau has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of its Continuing Disclosure Certificate with respect to the Bonds. The County of Leelanau anticipates that the Annual Report will be filed by \_\_\_\_\_, \_\_\_\_.

COUNTY OF LEELANAU

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_, \_\_\_\_



**EXHIBIT C**

**NOTICE TO EACH NATIONAL REPOSITORY OR  
THE MSRB, AND TO THE STATE REPOSITORY,  
OF CHANGE IN COUNTY'S FISCAL YEAR**

Name of Obligated Person: County of Leelanau

Name of Bond Issue: \$7,000,000 Law Enforcement Center Bonds (Limited Tax General Obligation)

Date of Bonds: November 1, 2002

NOTICE IS HEREBY GIVEN that the fiscal year of the County of Leelanau changed. Previously, the County's fiscal year ended on \_\_\_\_\_. It now ends on \_\_\_\_\_, \_\_\_\_\_.

COUNTY OF LEELANAU

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_, \_\_\_\_\_

EXHIBIT D  
MUNICIPAL SECONDARY MARKET DISCLOSURE

INFORMATION COVER SHEET

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository pursuant to Securities and Exchange Commission Rule 15c212 or any analogous state statute.

\* \* \*

Issuer's and/or Other Obligated Person's name: County of Leelanau

**CUSIP Numbers** (attach additional sheet if necessary):

Nine-Digit CUSIP Number(s) to which the information relates:

Information relates to all securities issued by the issuer having the following six-digit number(s):

\* \* \*

Number of pages of attached information: \_\_\_\_\_

Description of Material Events Notice/Financial Information (Check One):

1. \_\_\_\_\_ Principal and interest payment delinquencies
2. \_\_\_\_\_ Non-payment related defaults
3. \_\_\_\_\_ Unscheduled draws on debt service reserves reflecting financial difficulties
4. \_\_\_\_\_ Unscheduled draws on credit enhancements reflecting financial difficulties
5. \_\_\_\_\_ Substitution of credit or liquidity providers or their failure to perform
6. \_\_\_\_\_ Adverse tax opinions or events affecting tax-exempt status of the security
7. \_\_\_\_\_ Modifications to rights of securities holders
8. \_\_\_\_\_ Bond calls
9. \_\_\_\_\_ Defeasances
10. \_\_\_\_\_ Release, substitution, or sale of property securing repayment of the securities
11. \_\_\_\_\_ Rating changes
12. \_\_\_\_\_ Failure to provide annual financial information as required
13. \_\_\_\_\_ Other material event notice (specify) \_\_\_\_\_
- 14.\* \_\_\_\_\_ Financial Information: Please check all appropriate boxes:  
CAFR (a) includes does not include Annual Financial Information  
(b) Audited? Yes No  
Annual Financial Information: Audited? Yes No  
Operating Data  
Fiscal Period Covered: \_\_\_\_\_

\*Financial information **should not** be filed with the MSRB.

I hereby represent that I am authorized by the Issuer or its agent to distribute this information publicly:

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_ Title: \_\_\_\_\_  
Employer: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, State, Zip Code: \_\_\_\_\_  
Voice Telephone Number: (\_\_\_\_\_) \_\_\_\_\_

## **SECTION F**

### **MUNICIPAL BOND INSURANCE**

## **The MBIA Insurance Corporation Insurance Policy**

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Page F-4, for a specimen of MBIA's policy.

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

### **MBIA**

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the heading "Municipal Bond Insurance". Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

#### **MBIA Information**

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2001; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002), are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001, MBIA had admitted assets of \$8.5 billion (audited), total liabilities of \$5.6 billion (audited), and total capital and surplus of \$2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2002, MBIA had admitted assets of \$9.0 billion (unaudited), total liabilities of \$5.9 billion (unaudited), and total capital and surplus of \$3.0 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

#### **Financial Strength Ratings of MBIA**

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.



## FINANCIAL GUARANTY INSURANCE POLICY

**MBIA Insurance Corporation**  
**Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]  
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

**MBIA Insurance Corporation**

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President

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Assistant Secretary