

DECLARATION OF TRUST
FOR
THE GOVERNOR CHASE S. OSBORN TRUST FUND

This Declaration of Trust For THE GOVERNOR CHASE S. OSBORN TRUST FUND made on November 18, 2002, by the City Commission of the City of Sault Ste. Marie, Michigan, 325 Court Street, Sault Ste. Marie, Michigan.

WHEREAS, the City of Sault Ste. Marie was on November 29, 1915 the gift recipient of two original paintings known as "GRAND CANYON COLORADO RIVER, by THOMAS MORAN and HIGHLANDERS AT REST by J. T. HUGHES".

WHEREAS, the generous gift was made by its Citizen and Former Governor of the State of Michigan THE HONORABLE CHASE S. OSBORN; and

WHEREAS, the gift was unconditional,

WHEREAS, The Chippewa County Historical Society, Inc. served as custodian of the gift for many years,

WHEREAS, The experience and stewardship of the Chippewa County Historical Society, Inc. was responsible for the creation of the opportunity to establish this trust,

WHEREAS, the City did sell such paintings for the purposes of creating THE GOVERNOR CHASE S. OSBORN TRUST FUND,

WHEREAS, the City of Sault Ste. Marie desires to use and administer the sale proceeds from the generous gift of the HONORABLE CHASE S. OSBORN for public purposes relating to the interpretation, presentation, research, preservation, education,

and development of the City of Sault Ste. Marie's history and historical heritage as the City shall determine in its sole discretion; and

WHEREAS, the City Commission has determined in its sole discretion that the intent of the gift from the HONORABLE CHASE S. OSBORN shall be fulfilled by preservation of the principal value of the gift in perpetuity and use of the income only, earned by the principal for the purposes expressed; and

WHEREAS, the City Commission has determined to amend the City Charter in order to establish a Trust Fund to effect these goals.

WHEREAS, the City of Sault Ste. Marie desires to use and administer the sale proceeds from the generous gift of the HONORABLE CHASE S. OSBORN for public purposes relating to the interpretation, presentation, research, preservation, education, and development of the City of Sault Ste. Marie's history and historical heritage as the City shall determine in its sole discretion, and the City of Sault Ste. Marie desires to establish this Declaration of Trust as a mechanism for carrying out the intent of the gift as above set forth; and

WHEREAS, the City of Sault Ste. Marie desires that the City Treasurer shall receive as the trust property the net sale proceeds of the gift and shall hold the trust property for The Augusta Hursley Seal Trust Board of Trustees as created under Section 17.6a of the City Charter who are appointed in this Declaration of Trust, and their successors, for the Trustees' management, administration

and disposition of said trust property in the manner as provided in this Declaration of Trust.

NOW, THEREFORE, the City of Sault Ste. Marie, Michigan, declares that the Trustees herein appointed, and their successors, shall manage, administer and dispose of the trust property transferred to the City Treasurer hereunder, said property identified as the net sale proceeds of the gift, IN TRUST, to manage, administer and dispose of the property and proceeds for the benefit of the City of Sault Ste. Marie in the manner and subject to the provisions and conditions of this Declaration of Trust.

ARTICLE I

Establishment of Trust

1.1 Name of Trust. This Trust shall be referred to as THE GOVERNOR CHASE S. OSBORN TRUST FUND.

1.2 Declarations. The City of Sault Ste. Marie is the Settlor of this Trust. When a reference to the City of Sault Ste. Marie is to its capacity as Settlor, the City shall be referred to as the Settlor. The City of Sault Ste. Marie is the Beneficiary of this Trust. When a reference to the City of Sault Ste. Marie is to its capacity as Beneficiary, the City shall be referred to as the Beneficiary. The Trustees of this Trust shall be the Augusta Hursley Seal Trust Board of Trustees as created under Section 17.6a of the City Charter.

A reference to these five (5) persons shall be in their

capacity as Trustee or the Board of Trustees.

1.3 Trust Property. Upon receipt of an Acceptance of Trust signed by each Trustee appointed hereunder, Settlor shall deliver to the City Treasurer of the City of Sault Ste. Marie, to be held for administration and direction by the Trustees as the initial trust property, the net sale proceeds from the gift described above. Trustees and the City Treasurer shall acknowledge the receipt for such trust property. All trust property shall be held in trust as is provided in this Declaration of Trust. The trust property shall include all of the net sale proceeds of the gift described above received by the Settlor, and net income of the trust property which is not distributed to the Beneficiary in any calendar year, together with any additional deposits to the trust made from time to time by Settlor. The Trust property may be referred to in this Declaration of Trust as the "trust property" or as the "principal."

ARTICLE II

Reservations

2.1 Amendment and Revocation. The Settlor may revoke this Declaration of Trust in whole or in part or amend it from time to time in any respect, except that the duties of the Trustee shall not be materially changed by any amendment without the Trustee's written approval, subject, however to the following:

(a) This Declaration of Trust, including any provision

thereof, shall not be amended or revoked unless such amendment or revocation is approved by (i) a vote of the then currently-elected members of the City Commission of the City of Sault Ste. Marie in proportion as provided by the laws of the State of Michigan for amendment of city charters, as amended and (ii) a vote of all the persons voting on the ballot question regarding the proposed amendment or revocation in an election in which the proposed amendment or revocation is to be considered in a proportion as provided by the laws of the State of Michigan for amendment of city charters, as may be amended from time to time,

(b) Any proposed revocation and each amendment of this Declaration of Trust which is submitted for a vote in an election as required in section 2.1(a) shall comply with the laws of the State of Michigan for amendment of city charters, as may be amended from time to time.

2.2 Disposition on Revocation. In the event that this Declaration of Trust is revoked, the trust property shall be transferred to the Settlor.

ARTICLE III

Distribution, Retention And Use

Of Net Income From Trust Property

3.1 Distribution And Retention Of Net Income. Trustees shall distribute part of the net income of the trust property each calendar year as follows:

(a) Mandatory Distribution of Net Income. Trustees shall make a mandatory distribution to the Beneficiary each calendar year of 85% of the net income of the trust property.

(b) Mandatory Retention of Net Income. Trustees are required to retain 15% of the net income of the trust property in this Trust each calendar year.

Net income of the trust property which is not distributed to the Beneficiary in any calendar shall be accumulated and shall become part of the principal of this Trust and the trust property and shall not be available for distribution to the Beneficiary as income in subsequent years. Trustees shall distribute net income only and Trustees shall not make distributions from principal. Net income of the trust property shall be the gross investment income of the trust property in any calendar year, less all expenses of investment and costs of administration of this Trust, including but not limited to costs of accounting, audit, investment of financial counsel, custodians, attorneys, other agents, insurance and bonds.

3.2 Use of Net Income From Trust Property Distributed To Beneficiary. Net income from the trust property distributed to the Beneficiary shall be used by the Beneficiary in its sole discretion for the purposes expressed above. The City as Beneficiary shall accept recommendations from the Historical Development Commission, or such other entity as is assigned such duties by City ordinance, for the use and expenditure of the net income.

3.3 Separate Accounting By Beneficiary. Beneficiary shall

establish a separate fund and accounting for the distributions received from Trustees under this Declaration of Trust. Receipts and disbursements by Beneficiary under this Trust shall be accounted for separately from other receipts and disbursements of the City of Sault Ste. Marie.

ARTICLE IV

Board of Trustees

4.1 Number of Trustees and Selection. The Augusta Hursley Seal Trust Board of Trustees as created under Section 17.6a of the City Charter are appointed in this Declaration of Trust, and their successors, for the Trustees' management, administration and disposition of said trust property in the manner as provided in this Declaration of Trust.

ARTICLE V

Powers of Trustees And Other Provisions

5.1 Powers of Trustees. In the administration of this Trust, the Trustees shall have the following powers, in addition to and not in limitation of the Trustee's common law and statutory powers, subject to any limitations which may be imposed by the laws of the State of Michigan and by the City Charter of the City of Sault Ste. Marie, such powers to be exercised in a fiduciary capacity in accordance with the general standards of trust administration imposed upon trustees:

- (a) To receive and retain the initial trust property by

deposit with the City Treasurer.

(b) To direct investment and reinvestment of the trust property as follows:

(i) Until such time as the Beneficiary and/or the Trustees receive an Opinion of the Attorney General of the State of Michigan approving the investment and reinvestment guidelines set forth in subsection (b)(ii) below, the Trustees shall invest and reinvest all of the trust property in accordance with the provisions of section 129.91, of Mich. Comp. Laws Ann., P.A. 1943, No. 20, as may be amended from time to time.

(ii) If approved by an Opinion of the Attorney General of the State of Michigan, the Trustees shall invest and reinvest the trust property as follows:

(1) Seventy (70%) percent of the trust property shall be invested in accordance with the provisions of section 129.91, of Mich. Comp. Laws Ann., P.A. 1943, No. 20, as may be amended from time to time, or in corporate bonds having the highest rating given by Standard and Poors Corporation, in such amounts as determined by the Trustees in their sole discretion.

(2) Thirty (30%) percent of the trust property

shall be invested by the Trustees in any property or investments, including but not limited to common stocks, preferred stocks, real estate, mortgages and mortgage participations, in compliance with all applicable laws, rules and regulations.

(c) In compliance with the applicable investment and reinvestment guidelines set forth in subsection (b) above, to sell, exchange or otherwise dispose of any of the trust property which the Trustees may hold from time to time upon such terms and conditions and for such consideration as the Trustees deem advisable.

(d) To collect, pay, contest, compromise or abandon, upon such terms and evidence as the Trustees deem advisable, any claims, including taxes, either in favor of or against trust property or the Trustees; to abandon or surrender any property.

(e) To employ brokers, banks, custodians, investment counsel and managers, attorneys, accountants and other agents, and to delegate to them such duties, rights and powers of the Trustees (including the right to vote shares of stock held by the City Treasurer for the Trustees) for such periods as the Trustees deem advisable, in compliance with all applicable laws, rules and regulations, and subject to the investment guidelines set forth in subparagraph (b) above. Trustees shall retain qualified investment or financial counsel to

analyze the investment performance of the trust property at least once every five (5) years. All costs of such investment or financial counsel and managers, brokers, banks, custodians, attorneys, accountants and other agents shall be paid from the income of the trust property.

(f) To determine (reasonably and in accordance with sound trust accounting principles) as to all sums of money or other things of value administered by the Trustees, whether and to what extent the same shall be deemed to be principal or to be income, and as to all charges or expenses paid by the Trustees, whether and to what extent the same shall be charged against principal or against income, including the power to apportion any receipt or expense between principal and income and to determine what part, if any, of the actual income received upon any wasting investment or upon any security purchased or acquired at a premium shall be retained and added to principal to prevent a diminution of principal upon exhaustion or maturity thereof. The Trustees may also establish reserves for anticipated expenses and fund such reserves for anticipated expenses with appropriate charges against income.

(g) To carry, at the expense of the Trust, insurance and bonds of such kinds and in such amounts as the Trustees deem advisable to protect all of the trust property and the Trustees personally against any hazard or liability, including

but not limited to fiduciary liability insurance and general liability insurance.

(h) To establish rules of attendance at meetings of the Trustees and any other rules in compliance with all applicable laws, rules and regulations.

(i) To keep trust property in Michigan or elsewhere or with a depository or custodian, in compliance with all applicable laws, rules and regulations.

(j) To exercise all of these powers without application to any court.

5.2 Acceptance of Trust. Upon execution of the Acceptance of Trust and fulfillment of the other conditions for qualifying as a Trustee hereunder, such person shall have all powers, duties, authority and obligations of a Trustee as provided in this Declaration of Trust and as provided by the laws of Michigan and the City Charter of the City of Sault Ste. Marie.

5.3 Compliance With Laws. The Trustees shall comply with all laws, rules and regulations of the United States, the State of Michigan and the City Charter of the City of Sault Ste. Marie, Michigan. All meetings of the Board of Trustees shall be public and held in compliance with the Open Meetings Act, P.A. 1976, No. 267, as may be amended from time to time.

5.4 Autonomy of Trustees. Subject to Federal and Michigan law and the City Charter of the City of Sault Ste. Marie, the Trustees shall act as an autonomous body or Board of Trustees in

the administration of this Declaration of Trust. The Trustees may make, adopt, amend or repeal such by-laws, rules and regulations not inconsistent with the provisions of this Declaration of Trust as they may deem necessary or desirable for the conduct of their duties.

5.5 Audit. The Settlor shall conduct an annual audit of the administration and financial affairs of the trust property which shall coincide with the annual audit of the City of Sault Ste. Marie. The cost of the audit shall be paid by the Trustees from income of the trust property.

5.6 Majority Vote. All decisions involving the administration, operation, payment or distribution of this Declaration of Trust shall be made by majority vote of the Trustees. Any Trustee voting against the decision of the majority shall be relieved of all liability and responsibility arising out of or which is a consequence of the will of the majority.

5.7 Prohibition of Assignment or Encumbrance of Trust Property. No part of the principal or trust property shall be subject to assignment, encumbrance, pledge, mortgage or attachment of any kind. Any attempt to assign, encumber, pledge, mortgage or attach all or any part of the principal or trust property shall be void. This section shall not prohibit assignment, encumbrance, pledge or mortgage of the net income of the trust property which is available for distribution hereunder.

5.8 Receipt. No purchaser or other person dealing with the

Trustees shall be responsible for the application of any money or other thing of value paid or delivered to the Trustee and the receipt of the Trustees shall be a full acquittance, and no purchaser or other person dealing with the Trustees and no issuer, transfer agent or other agent dealing with the Trustees shall be under any obligation to ascertain or inquire into the power of the Trustees to purchase, sell, exchange, transfer, mortgage, pledge, distribute or otherwise in any manner dispose of or deal with any property held by the Trustees. The Certificate of the Trustees that the Trustees are acting in conformance with the terms of this Declaration of Trust shall protect all persons dealing with the Trustees.

5.9 Creditors Clause. Subject to the provisions of section 3.1, with respect to all payments and distributions to be made pursuant to this Declaration of Trust, the Beneficiary shall have no right to or interest in the income there from until the same has been paid to it by the Trustees. Both principal and income of this Trust shall be free from the interference and control of the creditors of the Beneficiary and the principal of the Trust shall not be subject to assignment or other anticipation by the Beneficiary. Both principal and income of the Trust shall be free from seizure under any legal, equitable or other process whatsoever. If the Trustees believe the foregoing may be violated or if the Trustees believe the protection of the Beneficiary requires it, the Trustees may withhold any part or all of the

income payments to which the beneficiary may be entitled and use and pay directly such portion thereof as the Trustees deem advisable.

5.10 Exculpatory. No successor Trustee shall be liable for any act or failure to act of any predecessor Trustee. With the approval of the person making the appointment of the Trustee, the successor Trustee shall not be required to review the accounts, acts or omissions or predecessor Trustees or to take action against predecessor Trustees for breaches of trust and may accept whatever assets are turned over without further inquiry.

5.11 Construction. This Declaration of Trust shall be construed under and regulated by Michigan law and the City Charter of the City of Sault Ste. Marie. The validity of this Declaration of Trust shall be determined by Michigan law and the City Charter of the City of Sault Ste. Marie.

5.12 Captions. The captions in this Declaration of Trust are for convenience only and shall not be considered as part of this document or in any way limiting or amplifying the terms and provisions hereof.

5.13 Severability. If any provision of this Declaration of Trust shall be invalid or unenforceable, the remaining provisions shall have full force and effect.

5.14 Notices. All notices required or permitted hereunder shall be in writing and sent by ordinary mail to the recipient at such address as may be specified from time to time. If any person

receiving notice shall be under legal disability, a guardian of such person may act for such person in receiving notice.

5.15 Certification of Trust Existence and Authority. The Trustees may, at any time, record, file or deliver a Certificate of Trust Existence and Authority with or to any clerk, register of deeds, transfer agent or other similar agency or office or to any person dealing with the Trustees. Such Certificate shall contain a verbatim synopsis of certain provisions of this Declaration of Trust and shall be signed and acknowledged by the Trustees. Any purchaser or person dealing with the Trustees shall be entitled to rely on such Certificate as a full statement of the provisions of this Declaration of Trust which are pertinent to the particular transaction. Machine copies of the executed Certificate shall have the same effect and authority as the executed Certificate.

5.16 Books and Records. All records, inventories and accountings required for the administration of this Declaration of Trust shall be prepared by or at the direction of the Trustees. All notices, objections, withdrawals and other communications shall be served on and received by the Trustees. All such records, inventories and accountings relating to administration of this Declaration of Trust shall be kept in the City Hall of the City of Sault Ste. Marie as public records by the City Treasurer.

5.17 Trust Registration. This Declaration of Trust shall be exempt from registration under Section 1701 of Public Act 386 of 1998 (MCL 700.1701). The Trustees are directed not to register the

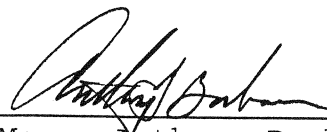
Declaration of Trust under the terms of that act.

5.18 Accounting. The Trustee shall keep a true account of all the affairs pertaining to the Trust or any division thereof, and shall render annually, or as soon thereafter as reasonably practicable, and send to the Settlor an annual accounting statement showing all receipts, disbursements and distributions for the preceding year, together with a statement of all of the property then belonging to the Trust.

5.19 Liability. No Trustee shall be liable for any act or default on the part of any other Trustee. Each Trustee and every agent or representative shall be answerable and accountable only for his or its own receipts and for his or its own acts, neglects, and defaults. Each Trustee, and every agent or representative, shall discharge his or its duties with respect to this Trust with the care, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of any enterprise of a like character with like aims.

IN WITNESS WHEREOF, the Settlor has executed this Declaration of Trust on this November 18, 2002.

City Commission, City of Sault Ste. Marie, Michigan



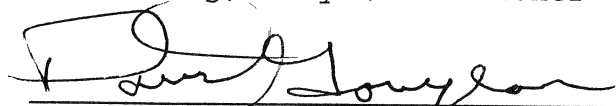
Mayor Anthony Bosbous



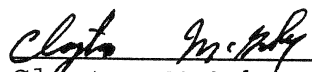
William Munsell, City Commissioner



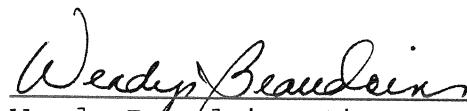
Frank King, City Commissioner



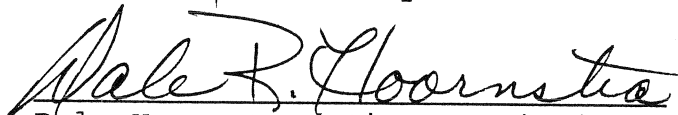
David Gonyeau, City Commissioner



Clayton McGahey, City Commissioner



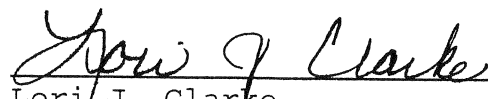
Wendy Beaudoin, City Commissioner



Dale Hoornstra, City Commissioner

STATE OF MICHIGAN
COUNTY OF CHIPPEWA

On this November 18. 2002, before me personally appeared Mayor Bosbous, Commissioners Munsell, King, Gonyeau, McGahey, Beaudoin, and Hoornstra who being duly sworn, says that they have read the foregoing Declaration of Trust by them signed as Settlor and know the contents thereof and agree to the conditions and terms therein.



Lori J. Clarke
Notary Public, Chippewa County, Michigan
My Commission Expires: May 29, 2005

Trust Document Drafted By: Steven J. Cannello Attorney for the City