

**VILLAGE OF MATTAWAN
SANITARY SEWER SYSTEM REVENUE BONDS
ORDINANCE NO. 166**

AN ORDINANCE AUTHORIZING THE ISSUANCE OF SANITARY SEWER SYSTEM REVENUE BONDS BY THE VILLAGE OF MATTAWAN, COUNTY OF VAN BUREN, MICHIGAN, FOR THE PURPOSE OF CONSTRUCTING IMPROVEMENTS TO THE SANITARY SEWER SYSTEM FOR SAID VILLAGE; PRESCRIBING THE FORM OF BONDS; PROVIDING FOR THE COLLECTION OF REVENUE FROM SAID SYSTEM SUFFICIENT FOR THE PURPOSE OF PAYING THE COSTS OF OPERATION AND MAINTENANCE THEREOF; PROVIDING FOR THE PAYMENT OF SAID BONDS; PROVIDING AN ADEQUATE RESERVE FUND THEREFOR; PROVIDING FOR THE SEGREGATION AND DISTRIBUTION OF SAID REVENUES; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID BONDS IN ENFORCEMENT THEREOF; AND PROVIDING FOR OTHER MATTERS RELATIVE TO SAID BONDS AND SAID SYSTEM.

THE VILLAGE OF MATTAWAN ORDAINS:

SECTION 1 DEFINITIONS.

The following words and terms used in this Ordinance shall have the meanings assigned in the preamble to this Ordinance and in this Section, unless the context clearly indicates otherwise.

The word "acquired," as used in this Ordinance, shall be construed to include acquisition by purchase, construction or by any other method.

"Act 94" shall mean Act 94, Public Acts of Michigan, 1933, as amended.

"Additional Bonds" shall mean Bonds issued pursuant to Section 17, and subject to the terms, of this Ordinance.

"Bonds" shall mean the First Series Bond and Additional Bonds.

"Department of Treasury" shall mean the Department of Treasury of the State of Michigan.

"Depository Bank" shall mean a bank that is a member of the Federal Deposit Insurance Corporation situated in the State of Michigan and designated by the Village Council.

"Engineer" shall mean Gove Associates, consulting engineers of Kalamazoo, Michigan.

"First Series Bond" shall mean the \$7,000,000 principal amount Village of Mattawan Sanitary Sewer System Revenue Bond authorized to be issued under Section 4 of this Ordinance.

"Fiscal Year" shall mean the fiscal year of the Issuer and the operating year of the System, commencing July 1st and ending June 30th, as such year may be changed from time to time.

"RD" shall mean Rural Development, an agency of the United States Department of Agriculture. Provisions herein referencing RD shall be inapplicable in the event the First Series Bond is not sold to the United States of America and in the event the Government shall no longer be a holder of any of the Bonds.

"Government" shall mean the government of the United States of America.

"Issuer" or "Village" or "Village of Mattawan" shall mean the Village of Mattawan, County of Van Buren, Michigan.

"Net Revenues" shall have the meaning with respect to the System as is set forth in Section 3 of Act 94.

"Ordinance" shall mean this ordinance and any ordinance or resolution of the Issuer amendatory or supplemental to this ordinance, including ordinances or resolutions authorizing issuance of Additional Bonds.

"Project" shall mean improvements to the sanitary sewer system as set forth in the plans on file with the Village, together with the necessary appurtenances and attachments thereto.

The words "public improvements," as used in this Ordinance, shall be understood to mean the public improvements, as defined in Section 3 of Act 94, which are authorized to be acquired and constructed under the provisions of this Ordinance.

"Revenues" shall have the meaning with respect to the System as is set forth in Section 3 of Act 94, and shall include the earnings on the investment of funds of the System (including the Project).

"System" means the Issuer's Sanitary Sewer System, including such facilities thereof as are now existing, are acquired and constructed as the Project, and all enlargements, extensions, repairs and improvements thereto hereafter made.

"Transfer Agent" shall mean the transfer agent and bond registrar for each series of Bonds as appointed from time to time by the Issuer as provided in Section 6 of this Ordinance and who or which shall carry out the duties and responsibilities as set forth in Sections 6 and 7 of this Ordinance.

"USA" shall mean the United States of America.

SECTION 2 NECESSITY; DESCRIPTION OF PROJECT.

It is hereby determined to be necessary for the public health and welfare of the Issuer to proceed to acquire and construct the Project in accordance with detailed maps, plans and specifications therefor prepared by the Engineer.

SECTION 3 COST; USEFUL LIFE.

The cost of the Project has been estimated by the Engineer to be not less than Nine Million Four Hundred Thirty Five Thousand Dollars (\$9,435,000), including the payment of incidental expenses as specified in Section 4 of this Ordinance, which estimate of cost is hereby approved and confirmed, and the period of usefulness of the Project is estimated to be not less than forty (40) years.

SECTION 4 PAYMENT OF COST.

To pay part of the cost of acquiring and constructing the Project, including the payment of legal, engineering and financial expenses, eighteen months capitalized interest and other expenses incident thereto and incident to the issuance and sale of the First Series Bond, it is hereby determined that the Issuer borrow the sum of Seven Million Dollars (\$7,000,000) and that revenue bonds be issued therefor pursuant to the provisions of Act 94. The balance of the cost of the Project will be paid from grants and other funds legally available therefor.

SECTION 5 FIRST SERIES BOND DATA.

The First Series Bond shall be designated SANITARY SEWER SYSTEM REVENUE BOND, shall be dated as of the date of its delivery to the initial purchaser thereof, shall consist of one (1) single fully-registered nonconvertible bond of the denomination of \$7,000,000 and shall be payable in principal installments serially on July 1 of each year, as set forth in the form of the First Series Bond.

The First Series Bond is expected to be delivered to USA, as initial purchaser thereof, in installments (the "delivery installments") and each delivery installment shall be noted on the registration grid set forth on the First Series Bond. The delivery installments shall be deemed to correspond to the serial principal installments of the First Series Bond in direct chronological order of said serial principal installments.

The serial principal installments of the First Series Bond will each bear interest from the date of delivery of the corresponding delivery installment to the registered holder thereof as shown on the registration grid set forth on the First Series Bond at the rate of five and one quarter percent (5 1/4%) per annum or such lower rate of interest as may be in effect at the time the First Bond is delivered, payable on the first day of January or July following the date of delivery of said delivery installment, and semiannually thereafter on January 1 and July 1 of each year until maturity or earlier prepayment of said installment. The First Series Bond shall be issued in fully registered form and shall not be convertible or exchangeable into more than one fully registered bond.

SECTION 6 PAYMENT AND SALE OF FIRST SERIES BOND.

The First Series Bond or installments thereof will be subject to prepayment prior to maturity, in the manner and at the times as provided in the form of the First Series Bond set forth in Section 9 of this Ordinance.

Principal of and interest on the First Series Bond shall be payable in lawful money of the United States of America by check or draft mailed by the Transfer Agent to the registered owner at the address of the registered owner as shown on the registration books of the Issuer kept by the Transfer Agent. The Issuer's Treasurer is hereby appointed to act as Transfer Agent. The Issuer's Treasurer may also appoint a deputy bond registrar and transfer agent to act in his or her absence. If and at such time as the First Series Bond is transferred to or held by any registered owner other than the USA, the Issuer by resolution may appoint a bank or trust company qualified under Michigan law to act as transfer agent and bond registrar, and the Issuer may thereafter appoint a successor Transfer Agent upon sixty (60) days notice to the registered owner of the First Series Bond. If the USA shall no longer be the registered owner of the First Series Bond, then the principal of and interest on the First Series Bond shall be payable to the registered owner of record as of the fifteenth day of the month preceding the payment date by check or draft mailed to the registered owner at the registered address. Such date of determination of the registered owner for purposes of payment of principal or interest may be changed by the Issuer to conform to future market practice. The Issuer's Treasurer is hereby authorized to execute an agreement with any successor Transfer Agent.

The Transfer Agent shall record on the registration books the payment by the Issuer of each installment of principal or interest or both when made and the canceled checks or drafts representing such payments shall be returned to and retained by the Issuer's Treasurer, which canceled checks or drafts shall be conclusive evidence of such payments and the obligation of the Issuer with respect to such payments shall be discharged to the extent of such payments.

Upon payment by the Issuer of all outstanding principal of and interest on the First Series Bond, the registered owner thereof shall deliver it to the Issuer for cancellation.

The sale of the First Series Bond to the USA at an interest rate of not to exceed five and one quarter percent (5 1/4%) per annum and at the par value thereof is hereby approved. The First Series Bond shall be sold to the USA at any lower rate than offered by the USA. The Issuer's Treasurer is hereby authorized to deliver the First Series Bond in accordance with the delivery instructions of USA, after approval of the issuance and sale thereof by the Department of Treasury, if such approval is at that time required, or receipt of an order of exception of the Department of Treasury or expiration of the notice period without receipt of an order of denial of the Department of Treasury.

SECTION 7 BOND REGISTRATION AND TRANSFER.

The Transfer Agent shall keep or cause to be kept, at its principal office, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Issuer. The Transfer Agent shall transfer or cause to be transferred on said books Bonds presented for transfer, as hereinafter provided and subject to such reasonable regulations as it may prescribe.

Any Bond may be transferred upon the books required to be kept by the Transfer Agent pursuant to this Section, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for transfer, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Transfer Agent. Whenever any Bond or Bonds shall be surrendered for transfer, the Transfer Agent shall record such transfer on the registration books and shall register such transfer on the registration grid attached to the Bond. At the time of such transfer the Transfer Agent shall note on the Bond the outstanding principal amount thereof at the time of such transfer. The Transfer Agent shall require the payment by the bondholder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer. The Issuer shall not be required (i) to issue, register the transfer of, or exchange any Bond during a period beginning at the opening of business fifteen days before the day of the mailing of a notice of prepayment of Bonds or installments thereof selected for redemption under Section 9 of this Ordinance and ending at the close of business on the day of that mailing, or (ii) to register the transfer of or exchange any Bond or portion thereof so selected for prepayment. In the event any Bond is called for prepayment in part, the Transfer Agent, upon surrender of the Bond, shall note on the Bond the principal amount prepaid and shall return the Bond to the registered owner thereof together with the prepayment amount on the prepayment date.

SECTION 8 EXECUTION AND DELIVERY OF THE FIRST SERIES BOND.

The First Series Bond shall be signed by the Village President and countersigned by the Village Clerk and shall have the corporate seal of the Issuer impressed thereon. After execution, the First Series Bond shall be held by the Issuer's Treasurer for delivery to the USA. No First Series Bond or any installment thereof shall be valid until registered by the Issuer's Treasurer, or upon transfer by the USA and

thereafter, by an authorized representative of the Transfer Agent.

SECTION 9 BOND FORM.

The form and tenor of the Bonds shall be substantially as follows, subject to appropriate variation upon issuance of Additional Bonds:

REGISTERED

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF VAN BUREN

VILLAGE OF MATTAWAN

SANITARY SEWER SYSTEM REVENUE BOND

No. _____

\$7,000,000

KNOW ALL MEN BY THESE PRESENTS that the Village of Mattawan, County of Van Buren, State of Michigan (the "Issuer"), for value received, hereby promises to pay to the registered owner hereof, but only out of the hereinafter described Net Revenues of the Issuer's Sanitary Sewer System, including all appurtenances, additions, extensions and improvements thereto (the "System"), the sum of

SEVEN MILLION DOLLARS

on the dates and in the principal installment amounts set forth in Exhibit A attached hereto and made a part hereof with interest on said installments from the date each said installment is delivered to the registered owner hereof and as set forth on the registration grid hereon until paid at the rate of _____ percent (____%) per annum, payable on _____, and semiannually thereafter, provided that the principal repayments required herein to the registered holder shall not exceed the total of the principal installments set forth on the registration grid hereon from time to time hereafter to acknowledge receipt of payment of the purchase price of this bond up to a total of \$7,000,000. Both principal of and interest on this bond are payable in lawful money of the United States of America to the registered owner at the address shown on the Issuer's registration books by check or draft mailed to the registered holder at the address shown on the registration books of the Issuer, and for the prompt payment thereof, the gross revenues of the System, after provision has been made for reasonable and necessary expenses of operation, administration and maintenance thereof (the "Net Revenues"), are hereby irrevocably pledged and a statutory first lien thereon is hereby created.

This bond is a single, fully-registered, non-convertible bond in the principal sum of \$7,000,000, issued pursuant to Ordinance No. _____ (the "Ordinance"), duly adopted by the Issuer on _____, 1998, and under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 94, Public Acts of Michigan, 1933, as amended, for the purpose of defraying the cost of acquiring and constructing the improvements to the System. For a complete statement of the revenues from which, and the conditions under which, this bond is payable, a statement of the conditions under which the additional bonds of equal standing may hereafter be issued, and the general covenants and provisions pursuant to which this bond is issued, reference is made to the Ordinance.

Principal installments of this bond are subject to prepayment prior to maturity, in inverse chronological order, at the Issuer's option, on any interest payment date on or after July 1, 2007, at par and accrued interest to the date fixed for prepayment.

Thirty days notice of the call of any principal installments for prepayment shall be given by mail to the registered owner at the registered address. The principal installments so called for prepayment shall not bear interest after the date fixed for prepayment, provided funds are on hand to prepay said installments.

This bond shall be registered as to principal and interest on the books of the Issuer kept by the Issuer's Treasurer as registrar and transfer agent

(the "Transfer Agent") and noted hereon, after which it shall be transferable only upon presentation to the Transfer Agent with a written transfer by the registered holder or his attorney in fact. Such transfer shall be noted hereon and upon the books of the Issuer kept for that purpose by the Transfer Agent.

This bond is a self-liquidating bond and is not a general obligation of the Issuer and does not constitute an indebtedness of the Issuer within any constitutional, or statutory limitation, but is payable, both as to principal and interest, solely from the Net Revenues of the System.

The Issuer hereby covenants and agrees to fix and maintain at all times while any installments of this bond shall be outstanding, such rates for service furnished by the System as shall be sufficient to provide for payment of the interest upon and the principal of all such installments of this bond payable from the Net Revenues of the System as and when the same become due and payable, and to create a bond and interest redemption fund (including a bond reserve account) therefor, to provide for the payment of expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the same in good repair and working order, and to provide for such other expenditures and funds for the System as are required by the Ordinance.

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

IN WITNESS WHEREOF, the Village of Mattawan, County of Van Buren, State of Michigan, by its President, has caused this bond to be signed in its name by its President and to be countersigned by its Village Clerk, and its corporate seal to be hereunto affixed, all as of _____, 1998.

VILLAGE OF MATTAWAN
COUNTY OF VAN BUREN
STATE OF MICHIGAN

By _____
Village President

(SEAL)

Countersigned:

Village Clerk

REGISTRATION
NOTHING TO BE WRITTEN HEREON EXCEPT
BY THE TRANSFER AGENT

| Date of Registration of Delivery : | Name of Registered Owner : | Principal Installment Delivered : | Signature of Registrar : |
|------------------------------------|----------------------------|-----------------------------------|--------------------------|
| : | United States of America : | : | : |
| : | : | : | : |
| : | : | : | : |
| : | United States of America : | : | : |
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EXHIBIT A

| <u>Principal Installment Due on July 1</u> | <u>Amount of Principal Installment</u> |
|--|--|
| 2000 | \$63,000 |
| 2001 | 66,000 |
| 2002 | 70,000 |
| 2003 | 73,000 |
| 2004 | 77,000 |
| 2005 | 81,000 |
| 2006 | 85,000 |
| 2007 | 90,000 |
| 2008 | 94,000 |
| 2009 | 99,000 |
| 2010 | 104,000 |
| 2011 | 109,000 |
| 2012 | 115,000 |
| 2013 | 121,000 |
| 2014 | 127,000 |
| 2015 | 134,000 |
| 2016 | 140,000 |
| 2017 | 148,000 |
| 2018 | 155,000 |
| 2019 | 163,000 |
| 2020 | 172,000 |
| 2021 | 180,000 |
| 2022 | 190,000 |
| 2023 | 199,000 |
| 2024 | 210,000 |
| 2025 | 220,000 |
| 2026 | 232,000 |
| 2027 | 243,000 |
| 2028 | 256,000 |
| 2029 | 269,000 |
| 2030 | 283,000 |
| 2031 | 297,000 |
| 2032 | 313,000 |
| 2033 | 328,000 |
| 2034 | 346,000 |
| 2035 | 363,000 |
| 2036 | 382,000 |
| 2037 | 403,000 |

SECTION 10 SECURITY FOR BONDS

Neither the Bonds nor the interest thereon shall be a general obligation of the Issuer but each shall be payable solely from the Net Revenues. To pay such principal and interest as and when the same shall become due, there is hereby created a statutory first lien upon the whole of the Net Revenues of the System to continue until the payment in full of the principal and interest on the Bonds and said Net Revenues shall be set aside for the purpose and identified as the Bond and Interest Redemption Fund, as hereinafter specified.

SECTION 11 BUDGET

Immediately upon the effective date of this Ordinance for the remainder of the current Fiscal Year, and thereafter prior to the beginning of each Fiscal Year, the Issuer shall prepare an annual budget for the System for the ensuing Fiscal Year itemized on the basis of monthly requirements. A copy of such budget shall be mailed to the USA without request from RD for review prior to adoption (as long as the USA is the registered owner of any of the Bonds), and upon written request to any other registered owners of the Bonds.

SECTION 12 CUSTODIAN OF FUNDS; FUNDS

The Issuer's Treasurer shall be custodian of all funds belonging to or associated with the System and such funds shall be deposited in the Depository Bank. The Issuer's Treasurer shall execute a fidelity bond in an amount not less than \$422,000 or such lesser amount as shall be approved by the USA. The Issuer's Treasurer is hereby directed to create and maintain the following funds and accounts into which the proceeds of the Bonds and the Revenues from the System shall be deposited in the manner and at the times provided in this Ordinance, which funds and accounts shall be established and maintained, except as otherwise provided, so long as any of the Bonds hereby authorized remain unpaid.

A. CONSTRUCTION ACCOUNT.

The proceeds of the First Series Bond hereby authorized less interest expense for eighteen months or \$560,000, and no other funds, shall be deposited in the VILLAGE OF MATTAWAN SANITARY SEWER SYSTEM CONSTRUCTION FUND ACCOUNT (the "Construction Account"), in the Depository Bank. In the event that the USA is a holder of the First Series Bond, then, if required by the USA, the Construction Account shall be established as a supervised bank account and such proceeds shall be withdrawn on the orders of the Issuer only on checks signed by its Treasurer and the RD (or designee). Moneys in the Construction Account shall be used solely for the purposes for which the First Series Bond is issued.

Any unexpended balance of the proceeds of sale of the First Series Bond remaining after completion of the Project herein authorized may in the discretion of the Issuer be used for further improvements, enlargements and extensions to the System, provided that at the time of such expenditure such use be approved by the Department of Treasury (if such approval is then required by law). Any remaining balance after such expenditure shall be paid into the Bond and Interest Redemption Fund and used as soon as is practical for the prepayment of installments of the First Series Bond or for the purchase of installments to the First Series Bond at not more than the fair market value thereof. Following completion of the Project, any unexpended balance of the First Series Bond shall be invested at a yield not to exceed the yield on the First Series Bond.

After completion of the Project and disposition of remaining proceeds, if any, of the First Series Bond pursuant to the provisions of this Section, the Construction Account shall be closed.

B. SANITARY SEWER SYSTEM RECEIVING FUND.

Upon and after the effective date of this Ordinance, the Revenues of the System shall be set aside into a separate fund to be designated the VILLAGE OF MATTAWAN SANITARY SEWER SYSTEM RECEIVING FUND (the "Receiving Fund"), and moneys so deposited therein shall be transferred, expended and used only in the manner and order as follows:

1. Operation and Maintenance Fund.

There is hereby established a separate fund to be designated the OPERATION AND MAINTENANCE FUND (the "Operation and Maintenance Fund"). Revenues shall be transferred each quarter of the Fiscal Year, commencing July 1, 1998, from the Receiving Fund to the Operation and Maintenance Fund to pay the reasonable and necessary current expenses of administration and operating and maintaining the System for the ensuing quarter.

2. Sanitary Sewer System Revenue Bond - Bond and Interest Redemption Fund.

There is hereby established a separate fund to be designated as the VILLAGE OF MATTAWAN SANITARY SEWER SYSTEM REVENUE BOND - BOND AND INTEREST REDEMPTION FUND (the "Bond and Interest Redemption Fund"). Bond proceeds equal to twelve months interest will be deposited into the Bond and Interest Redemption Fund. After the transfer required in (1) above, Revenues shall be transferred each quarter of the Fiscal Year, commencing upon the adoption of this Ordinance, from the Receiving Fund, before any other expenditures or transfer therefrom, and deposited in the Bond and Interest Redemption Fund for payment of principal of and interest on the First Series Bond and to fund the Bond Reserve Account. Upon any delivery of an installment of the First Series Bond on or after July 1, 1998 there shall be set aside at the time of such delivery and on the first day of each quarter of the Fiscal Year thereafter to the next interest payment date an amount equal to that fraction of the amount of interest due on the next interest payment date on said installment so delivered, the numerator of which is 1 and the denominator of which is the number of full and partial Fiscal Year quarters from the date of said delivery to the next interest payment date. There shall also be set aside each Fiscal Year quarter on or after July 1, 1998 an amount not less than 1/2 of the amount of interest due on the next interest payment date on all outstanding installments of the First Series Bond not delivered during the then current interest payment period and not capitalized. Upon any delivery of an installment of the First Series Bond on or after July 1, 1998 there shall also be set aside at the time of such delivery and on the first day of each Fiscal Year quarter thereafter to the next principal payment date an amount equal to that fraction of principal of the First Series Bond due on the next principal payment date on said installment so delivered, the numerator of which is 1 and the denominator of which is the number of full and partial Fiscal Year quarters from the date of said delivery to the next principal payment date. Except as hereinafter provided, no further deposits shall be made into the Bond and Interest Redemption Fund (excluding the Bond Reserve Account) once the aforesaid sums have been deposited therein. Any amount on deposit in the Bond and Interest Redemption Fund (excluding the Bond Reserve Account) in excess of (a.) the amount needed for payment of principal installments of the First Series Bond for the then current principal payment period, plus (b.) interest on the First Series Bond for the then current interest payment period, shall be used by the Issuer for redemption of principal installments of the First Series Bond in the manner set forth in Section 9 hereof, if such use is impracticable, shall be deposited in or credited to the Receiving Fund.

If for any reason there is a failure to make such quarterly deposit in the amounts required, then the entire amount of the deficiency shall be set aside and deposited in the Bond Redemption Fund out of the Revenues first received thereafter which are not required by this Ordinance to be deposited in the Operation and Maintenance Fund or in the Bond and Interest Redemption Fund, which amount shall be in addition to the regular quarterly deposit required during such succeeding quarter or quarters.

There is hereby established in the Bond and Interest Redemption Fund a separate account to be designated the BOND RESERVE ACCOUNT (the "Bond Reserve Account"). Commencing July 1, 2000, there shall be withdrawn from the Receiving Fund at the beginning of each Fiscal Year quarter and set aside in and transferred to the Bond Reserve Account, after provision has been made for the Operation and Maintenance Fund and the current requirements of the Bond and Interest Redemption Fund, the sum of at least \$10,550 per quarter until there is accumulated in such fund the sum of \$422,000. Except as hereinafter provided, no further deposits shall be made into the Bond and Interest Redemption Fund for the purposes of the Bond Reserve Account once the sum of \$422,000 has been deposited therein. Except as hereinafter provided, no further deposits shall be made into the Bond and Interest Redemption Fund for the purposes of the Bond Reserve Account once the aforesaid sums have been deposited therein. The moneys in the Bond Reserve Account shall be used solely for the payment of the principal installments of and interest on the First Series Bond as to which there would otherwise be default.

If at any time it shall be necessary to use moneys in the Bond Reserve Account for such payment, then the moneys so used shall be replaced from the Net Revenues first received thereafter which are not required by this Ordinance to be used for operation and maintenance or for current principal and interest requirements for the First Series Bond.

No further payments need be made into the Bond and Interest Redemption Fund after enough of the principal installments of the First Series Bond have been retired so that the amount then held in the Bond and Interest Redemption Fund (including the Bond Reserve Account), is equal to the entire amount of principal and interest which will be payable at the time of maturity of all the principal installments of the First Series Bond then remaining outstanding.

The moneys in the Bond and Interest Redemption Fund and the Bond Reserve Account shall be invested in accordance with Section 13 of this Ordinance, and profit realized or income earned on such investment shall be used or transferred as provided in Section 13 of this Ordinance.

3. Repair and Reconstruction Fund.

There is hereby established a separate fund to be designated the REPAIR AND RECONSTRUCTION FUND (the "Reconstruction Fund"). After the transfers required in (1) and (2) above, Revenues shall be transferred each quarter of the Fiscal Year, commencing July 1, 2000, from the Receiving Fund in amount which need not be greater than \$2,000 per quarter. The total of such deposits to the Reconstruction Fund and the balance therein need not exceed the sum of \$100,000. Moneys in the Reconstruction Fund shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the System which may be caused by any unforeseen catastrophe, and when necessary, for the purpose of making payments of principal of and interest on the Bonds. If the amount in the Bond and Interest Redemption Fund and the Bond Reserve Account is not sufficient to pay the principal of and interest on the Bonds when due, then the moneys in the Reconstruction Fund shall be transferred to the Bond and Interest Redemption Fund and used for that purpose. If at any time it shall be necessary to use moneys in the Reconstruction Fund, the moneys so used shall be replaced from any Revenues in the Receiving Fund which are not required by this Ordinance to be used for the Operation and Maintenance Fund or the Bond and Interest Redemption Fund (including the Bond Reserve Account). The moneys in the Reconstruction Fund may be invested in accordance with Section 13 of this Ordinance.

4. Improvement Fund.

There is hereby established a separate fund to be designated the IMPROVEMENT FUND (the "Improvement Fund"). After the transfers required in (1), (2) and (3) above, the balance of the Revenues of the System shall be transferred each quarter of the Fiscal Year, commencing July 1, 2000 from the Receiving Fund, until the total amount in the Improvement Fund shall equal \$8,000 or such other amount or may be determined by the Village Council. Moneys in the Improvement Fund shall be used and disbursed only for the purpose of paying the cost of making extensions or improvements to the System, and when necessary, for the purpose of making payments of principal of and interest on the Bonds. If the amount in the Bond and Interest Redemption Fund, the Bond Reserve Account and the Reconstruction Fund is not sufficient to pay the principal of and interest on the Bonds when due, then moneys in the Improvement Fund shall be transferred to the Bond and Interest Redemption Fund and used for that purpose. The moneys in the Improvement Fund may be invested in accordance with Section 13 of this Ordinance. Any profit realized or interest income earned on such investment will be part of the Improvement Fund until the balance therein equals the sum of \$10,000; thereafter such profit or interest income shall be deposited in or credited to the Receiving Fund.

5. Reverse Flow of Funds; Surplus Moneys.

In the event the moneys in the Receiving Fund are insufficient to provide for the current requirements of the Operation and Maintenance Fund, the Bond and Interest Redemption Fund (including the Bond Reserve Account), the Reconstruction Fund or the Improvement Fund, any moneys and/or securities in the funds of the System established by this Ordinance shall be transferred, first, to the Operation and Maintenance Fund, and second, to the Bond and Interest Redemption Fund, and third, to the Replacement Fund, and fourth, to the Improvement Fund.

All moneys remaining in the Receiving Fund at the end of any Fiscal Year after satisfying the above requirements shall be transferred to the Bond and Interest Redemption Fund and used to call Bonds or portions thereof for redemption, or at the option of the Issuer, transferred to the Improvement Fund and used for the purpose for which it was established; provided, however, that if there should be a deficit in the Operation and Maintenance Fund, the Bond and Interest Redemption Fund, the Bond Reserve Account, the Reconstruction Fund or the Improvement Fund, on account of defaults in setting aside therein the amounts hereinbefore required, then transfers shall be made from such moneys remaining in the Receiving Fund to such funds in the priority and order named in this Section, to the extent of such deficits.

SECTION 13 INVESTMENTS

Moneys in the funds and accounts established herein and moneys derived from the proceeds of sale of the Bonds, may be invested by the legislative body of the Issuer on behalf of the Issuer in Government obligations or obligations the principal of and interest on which is fully guaranteed by the United States of America, or certificates of deposit of a bank insured by the Federal Deposit Insurance Corporation. Investment of moneys in the Bond and Interest Redemption Fund being accumulated for payment on the next maturing principal or interest payment on the Bonds shall be limited to obligations bearing maturity dates prior to the date of the next maturing principal or interest payment on the Bonds. Investment of moneys in the Bond Reserve Account shall be limited to Government obligations bearing maturity dates or subject to redemption, at the option of the holder thereof, not later than 5 years from the date of the investment. In the event investments are made, any securities representing the same shall be kept on deposit with the Depository Bank. Interest income earned on investment of funds in the Receiving Fund, the Operation and Maintenance Fund, the Bond and Interest Redemption Fund and, the Bond Reserve Account, the Reconstruction Fund and the Improvement Fund, shall be deposited in or credited to the Receiving Fund.

SECTION 14 RATES AND CHARGES

Rates and charges for the services of the System will be fixed pursuant to Resolution in an amount sufficient to pay the costs of operating, maintaining and administering the System, to pay the principal of and interest on the Bonds and to meet the requirements for repair, replacement, reconstruction and improvement and all other requirements provided herein, and otherwise comply with the covenants herein provided. The Issuer hereby covenants and agrees to fix and maintain at all times while any of the Bonds shall be outstanding such rates for service furnished by the System as shall be sufficient to provide for the foregoing expenses, requirements and covenants, and to create a bond and interest redemption fund (including a bond reserve account) for all such Bonds. The rates and charges for all services and facilities rendered by the System shall be reasonable and just, taking into consideration the cost and value of the System and the cost of maintaining, repairing, and operating the same and the amounts necessary for the retirement of all Bonds and accruing interest on all Bonds, and there shall be charged such rates and charges as shall be adequate to meet the requirements of this Section and Section 12 of this Ordinance.

SECTION 15 NO FREE SERVICE

No free service shall be furnished by the System to any individual, firm or corporation, public or private or to any public agency or instrumentality.

SECTION 16 COVENANTS

The Issuer covenants and agrees, so long as any of the Bonds hereby authorized remain unpaid, as follows:

- A. It will comply with applicable State laws and regulations and continually operate and maintain the System in good condition.
- B.
 1. It will maintain complete books and records relating to the operation and financial affairs of the System. If the Government is the holder of any of the Bonds, the USA shall have the right to inspect the System and the records, accounts, and data relating thereto at all reasonable times.
 2. It will file with the Department of Treasury and USA (if the USA is holder of the Bonds) each year, as soon as is possible, not later than ninety (90) days after the close of the Fiscal Year, a report, on forms prepared by the Department of Treasury, made in accordance with the accounting method of the Issuer, completely setting forth the financial operation of such Fiscal Year.
 3. It will cause an annual audit of such books of record and account for the preceding Fiscal Year to be made each year by a recognized independent certified public accountant, and will cause such accountant to mail a copy of such audit to RD, without request of RD, or to the manager of the syndicate or account purchasing any series of the Bonds. Such audit shall be completed and so made available not later than ninety (90) days after the close of each Fiscal Year, and said audit may, at the option of the Issuer, be used in lieu of the statement on forms prepared by the Department of Treasury and all purposes for which said forms are required to be used by this Ordinance.
 4. It will maintain and carry, for the benefit of the holders of the Bonds, insurance on all physical properties of the System, of the kinds and in the amounts normally carried by municipalities engaged in the operation of similar systems. All moneys received for losses under any such insurance policies shall be applied solely to the replacement and restoration of the property damaged or destroyed, and to the extent not so used, shall be used for the purpose of calling Bonds.

5. It will not borrow any money from any source or enter into any contract or agreement to incur any other liabilities that may in any way be a lien upon the Revenues or otherwise encumber the System so as to impair Revenues therefrom, without obtaining the prior written consent of the USA, nor shall it transfer or use any portion of the Revenues derived in the operation of the System for any purpose not herein specifically authorized.
6. It will not voluntarily dispose of or transfer its title to the System or any part thereof, including lands and interest in land, sale, mortgage, lease or other encumbrances, without obtaining the prior written consent of the USA.
7. Any extensions to or improvements of the System shall be made according to sound engineering principles and specifications shall be submitted to the USA for prior review.

SECTION 17 ADDITIONAL BONDS

The Issuer may issue Additional Bonds of equal standing with the Bonds for the following purposes and on the following conditions:

- A. To complete construction of the Project according to the plans referred to in Section 1, Additional Bonds may be issued in the amount necessary therefor.
- B. For the purpose of making reasonable repair, replacement or extension of the System or refunding any outstanding Bonds, Additional Bonds of equal standing may be issued if:
 1. The augmented net revenues of the System for the Fiscal Year preceding the year in which such Additional Bonds are to be issued were 120 percent of the average annual debt service requirements on all Bonds then outstanding and those proposed to be issued net of any Bonds to be refunded by the new issue; or
 2. The holders of at least 75 percent of the then outstanding Bonds consent to such issue in writing.

For purposes of this Section the term "augmented net revenues" shall mean the Net Revenues of the System for a year, adjusted to reflect the effect of any rate increase placed in effect during that year (but not in effect for the whole year), placed in effect subsequent to the year or scheduled, at the time the new Bonds are authorized, to be placed in effect before principal of and interest on the new Bonds become payable from Revenues of the System, and augmented by any increase in Revenues or decrease in expenses estimated to accrue from the improvements to be acquired from the new Bonds. The adjustments and augmentations provided for in the preceding sentence shall be established by certificate of an independent consulting engineer filed with the Clerk of the Issuer. If new Bonds are issued within 4 months of the end of a Fiscal Year, the determination made in subsection (b)(i) of this Section may be based upon the results of a Fiscal Year ending within 16 months of the date of issuance of the new Bonds.

The funds herein established shall be applied to all Additional Bonds issued pursuant to this Section as if said Bonds were part of the original bond issue and all Revenue from any such extension or replacement constructed by the proceeds of an additional bond issue shall be paid to the Receiving Fund mentioned in this Ordinance.

Except as otherwise specifically provided so long as any of such Bonds herein authorized are outstanding, no Additional Bonds or other obligations pledging any portion of the Revenues of the System shall be incurred or issued by the Issuer unless the same shall be junior and subordinate in all respects to the Bonds herein authorized.

SECTION 18 ORDINANCE SHALL CONSTITUTE CONTRACT

The provisions of this Ordinance shall constitute a contract between the Issuer and the bondholders and after the issuance of the First Series Bond this Ordinance shall not be repealed or amended in any respect which will adversely affect the rights and interests of the holders nor shall the Issuer adopt any law, ordinance of resolution in any way adversely affecting the rights or the holders so long as the USA is the registered holder of the bonds.

SECTION 19 REFUNDING OF BONDS

The Bonds shall not be subject to redemption prior to maturity while they are held by the USA or subject to being defeased. Provided, however, if at any time it shall appear to the USA that the Issuer is able to refund, upon call for redemption or with consent of the USA the then outstanding

Bonds by obtaining a loan for such purposes from responsible cooperative or private credit sources, at reasonable rates and terms for loans for similar purposes and periods of time, the Issuer will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government, and will take all such actions as may be required in connection with such loans.

SECTION 20 DEFAULT OF ISSUER

If there shall be default in the Bond and Interest Redemption Fund, provisions of this Ordinance or in the payment of principal of or interest on any of the Bonds, upon the filing of a suit by 20 percent of the holders of the Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Issuer with power to charge and collect rates sufficient to provide for the payment of the Bonds and for the payment of operation, maintenance and administrative expenses and to apply Revenues in accordance with this Ordinance and the laws of Michigan.

The Issuer hereby agrees to transfer to any bona fide receiver or other subsequent operator of the System, pursuant to any valid court order in a proceeding brought to enforce collection or payment of the Issuer's obligations, all contracts and other rights of the Issuer, conditionally, for such time only as such receiver or operation shall operate by authority of the court.

The holders of 20 percent of the Bonds in the event of default may require by mandatory injunction the raising of rates in a reasonable amount.

SECTION 21 ORDINANCE SUBJECT TO MICHIGAN LAW AND USA REGULATIONS

The provisions of this Ordinance are subject to the laws of the State of Michigan and to the present and future regulations of the USA not inconsistent with the express provisions hereof and Michigan law.

SECTION 22 FISCAL YEAR OF SYSTEM

The Fiscal Year for operating the System shall be consistent with that of the Issuer.

SECTION 23 ISSUER SUBJECT TO LOAN AGREEMENT

So long as the Government is holder of any of the Bonds, the Issuer shall be subject to the loan agreement entered into with the USA and shall comply with all provisions thereof.

SECTION 24 CONFLICT AND SEVERABILITY

All ordinances, resolutions and orders or parts thereof in conflict with the provisions of this Ordinance are to the extent of such conflict hereby repealed, and each section of this Ordinance and each subdivision of any section hereof is hereby declared to be independent, and the finding or holding of any section or subdivision thereof to be invalid or void shall not be deemed or held to affect the validity of any other section or subdivision of this Ordinance.

SECTION 25 PARAGRAPH HEADINGS

The paragraph headings in this Ordinance are furnished for convenience of reference only and shall not be considered to be a part of this Ordinance.

SECTION 26 PUBLICATION AND RECORDATION

This Ordinance shall be published in full in a newspaper of general circulation in the Issuer, qualified under State law to publish legal notices, promptly after its adoption, and the same shall be recorded in the Ordinance Book of the Issuer and such recording authenticated by the signatures of the President and Village Clerk.

SECTION 27 EFFECTIVE DATE

This Ordinance is hereby determined by the Village Council to be immediately necessary for the preservation of the peace, health and safety of the Issuer and shall be in full force and effect from and after its passage and publication as required by law.