

VILLAGE OF MUIR
County of Ionia

ORDINANCE NO. 46

AN ORDINANCE TO AUTHORIZE AND PROVIDE FOR THE ISSUANCE OF REVENUE BONDS TO PAY THE COST OF ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO THE VILLAGE'S WATER SUPPLY SYSTEM UNDER THE PROVISIONS OF ACT 94, PUBLIC ACTS OF MICHIGAN, 1933, AS AMENDED; TO PRESCRIBE THE FORM OF THE BONDS; TO PROVIDE FOR THE COLLECTION OF REVENUES FROM THE SYSTEM SUFFICIENT FOR THE PURPOSE OF PAYING THE COSTS OF OPERATION AND MAINTENANCE OF THE SYSTEM AND TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS; TO PROVIDE FOR THE SEGREGATION AND DISTRIBUTION OF THE REVENUES; TO PROVIDE FOR THE RIGHTS OF THE HOLDERS OF THE BONDS IN ENFORCEMENT THEREOF; TO PLEDGE THE VILLAGE'S LIMITED TAX FULL FAITH AND CREDIT FOR THE PAYMENT OF THE REVENUE BONDS, AND OTHER REVENUES IF REQUIRED BY THE BOND PURCHASER; AND TO PROVIDE FOR OTHER MATTERS RELATIVE TO THE SYSTEM AND THE REVENUE BONDS.

THE VILLAGE OF MUIR HEREBY ORDAINS:

Section 1. Definitions. Whenever used in this Ordinance, except when otherwise indicated by the context, the following terms when capitalized shall have the following meanings:

- (a) "Act 94" means Act 94, Public Acts of Michigan, 1933, as amended.
- (b) "Additional Bonds" shall mean Bonds of equal standing and priority of lien with the Series 2001 Bonds, issued under Section 20 of this Ordinance.
- (c) "Adjusted Net Revenues" means for any operating year the excess of revenues over expenses for the System determined in accordance with generally accepted accounting principles, to which shall be added depreciation, amortization, interest expense on Bonds and payments to the Village in lieu of taxes, to which may be made the following adjustments.
 - (i) Revenues may be augmented by the amount of any rate increases adopted prior to the issuance of Additional Bonds or to be placed into effect before the time principal or interest on the Additional Bonds becomes payable from Revenues as applied to quantities of service furnished during the operating year or portion thereof that the increased rates were not in effect.

- (ii) Revenues may be augmented by amounts which may be derived from rates and charges to be paid (a) as a result of new customers who have been identified by an agreement to purchase service from the System who had not been serviced during the preceding twelve months or (b) as a result of any other new customer or expansion of service to any existing customers or (c) as a result of potential customers which exist in a new service area who will be serviced by the acquisition of the repairs, extensions, enlargements and improvements to said System which have been made during the preceding twelve months or which will be acquired in whole or in part from the proceeds of Additional Bonds.
- (iii) If there is a bond reserve account to be funded from the proceeds of Additional Bonds, then the Revenues may be augmented by an amount equal to the investment income representing interest on investments estimated to be received each operating year from the addition to the bond reserve account to be funded from the proceeds of the Additional Bonds being issued.

The adjustment of revenues and expenses by the factors set forth above shall be reported upon by professional engineers or certified public accountants or other experts not in the regular employment of the Village.

- (d) "Authorized Officers" means, jointly or severally, the President, Clerk, and/or the Treasurer of the Village.
- (e) "Bonds" means the Series 2001 Bonds, and any Additional Bonds of equal standing hereafter issued under this Ordinance.
- (f) "Construction Fund" shall mean the 2001 Water Supply System Construction Fund established pursuant to Section 18 of this Ordinance.
- (g) "Depository Bank" shall mean, (a) with respect to the Bond and Interest Redemption Fund, Bank One Trust Company, National Association, or whichever bank is the bank at which the principal and interest on the Bonds are currently payable, as long as required by Section 24(1) of Act 94, and (b) with respect to the other funds and accounts created under this Ordinance shall mean any financial institution qualified to serve as a depository bank and designated by the Village Council.
- (h) "General Obligation Debt Fund" means the General Obligation Debt Fund which may be created under Section 14 of this Ordinance.

- (i) "Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations propounded thereunder.
- (j) "Michigan Department of Environmental Quality" or "MDEQ" shall refer to the Michigan Department of Environmental Quality created under Executive Reorganization Order No. 1995-16, MCL §324.99903.
- (k) "Michigan Municipal Bond Authority" shall refer to the Michigan Municipal Bond Authority created under Act 227, Public Acts of Michigan, 1985, as amended.
- (l) "Operation Fund" means the Operation and Maintenance Fund created under Section 14 of this Ordinance.
- (m) "Outstanding Bonds" means, as of any given date, the Series 2001 Bonds, and any Additional Bonds of equal standing hereafter issued and delivered under this Ordinance except:
 - (i) Bonds (or portions of Bonds) paid off at or prior to such date;
 - (ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys or Sufficient Government Obligations equal to the principal amount or redemption price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under this Ordinance and set aside for such payment or redemption (whether at or prior to the maturity or redemption date) provided that if such Bonds (or portion of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in this Ordinance or provision shall have been made for the giving of such notice; and
 - (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered.
- (n) "Project" means acquiring and constructing various water system improvements, including new wells and an elevated water tank and related system improvements together with any appurtenances and attachments thereto and any related site acquisition or improvements, together with any necessary interests in land, rights of way and all appurtenances and attachments thereto.
- (o) "Purchase Contract" means the Purchase Contract for the Series 2001 Bonds between the Village and the Michigan Municipal Bond Authority approved in Section 7 of this Ordinance.

- (p) "Receiving Fund" means the Water Supply System Receiving Fund created under Section 14 of this Ordinance.
- (q) "Redemption Fund" means the Bond and Interest Redemption Fund created under Section 14 of this Ordinance.
- (r) "Repair and Replacement Fund" means the Repair and Replacement Fund created under Section 14 of this Ordinance.
- (s) "Revenues" and "Net Revenues" mean the revenues and net revenues of the System and shall be construed as defined in Section 3 of Act 94, including with respect to "Revenues" the earnings derived from the investment of moneys in the various funds and accounts established by this Ordinance.
- (t) "Series 2001 Bonds" means the Water Supply System Revenue Bonds, Series 2001, authorized by this Ordinance.
- (u) "Sufficient Government Obligations" means direct obligations of the United States of America or obligations the principal and interest on which is fully guaranteed by the United States of America, not redeemable at the option of the issuer, the principal and interest payments upon which, without reinvestment of the interest, come due at such times and in such amounts as to be fully sufficient to pay the interest as it comes due on the Bonds and the principal and redemption premium, if any, on the Bonds as it comes due whether on the stated maturity date or upon earlier redemption. Securities representing such obligations shall be placed in trust with a bank or trust company, and if any of the Bonds are to be called for redemption prior to maturity, irrevocable instructions to call the Bonds for redemption shall be given.
- (v) "Supplemental Agreement" means the Supplemental Agreement among the Village, MMBA, and MDEQ approved in Section 6 of this Ordinance.
- (w) "System" means the entire Water Supply System of the Village including such facilities thereof as are now existing and as shall be acquired and constructed as the Project, including all appurtenances, enlargements, extensions, repairs and improvements thereto hereafter made.
- (x) "Village" means the Village of Muir, Ionia County, Michigan.

Section 2. Statement of Purpose; Necessity; Preliminary Approval of Plans.
It is hereby determined to be a necessary public purpose of the Village to acquire and construct the Project in accordance with the plans and specifications prepared by the Village's consulting engineers, which plans and specifications are hereby approved. The Project qualifies for the State of Michigan Drinking Water Revolving Fund financing

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program (the "DWRP") being administered by the MDEQ and the Michigan Municipal Bond Authority, whereby bonds of the Village are sold to the Michigan Municipal Bond Authority and bear interest at a fixed rate of two and one-half percent (2.5%) per annum plus any additional interest as may be required by the Michigan Municipal Bond Authority for DWRP program participants.

Section 3. Costs; Useful Life. The total cost of the Project is estimated to be One Million Eight Hundred Fifty Thousand Dollars (\$1,850,000) 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 twenty-five (25) years.

Section 4. Payment of Cost of Project; Bonds Authorized; Applicable Law. To pay part of the cost of acquiring and constructing the Project including payment of all legal, engineering, financial and other expenses incident thereto and incident to the issuance and sale of the Series 2001 Bonds, the Village shall borrow the sum of not to exceed One Million Eight Hundred Fifty Thousand Dollars (\$1,850,000) and shall issue the Series 2001 Bonds therefor pursuant to the provisions of Act 94. Any remaining costs of the Project shall be defrayed from Village funds on hand and legally available for such use.

The Bonds shall be issued and sold and the proceeds applied in accordance with the provisions of Act 94.

Section 5. Series 2001 Bond Details, Registration and Execution. The Series 2001 Bonds shall be designated WATER SUPPLY SYSTEM REVENUE BONDS (LIMITED TAX GENERAL OBLIGATION). The Series 2001 Bonds shall be payable out of the Net Revenues, or, in the event in insufficiency of Net Revenues, from taxes levied by the Village as set forth more fully in Section 9 hereof. The Series 2001 Bonds hereby authorized shall initially consist of one fully registered bond payable initially to the Michigan Municipal Bond Authority, and shall not be convertible or exchangeable into more than one fully-registered bond. The Series 2001 Bonds shall be issued in the aggregate principal amount of not to exceed One Million Eight Hundred Fifty Thousand Dollars (\$1,850,000) as finally determined by order of the MDEQ. If determined necessary by the Michigan Municipal Bond Authority or the MDEQ, the Series 2001 Water Bonds may be issued and delivered in more than one series, and in such event the separate series shall bear a distinguishing designation approved by one of the Authorized Officers. The principal amount of the Series 2001 Bonds is expected to be disbursed to the Village periodically as to be provided by the Supplemental Agreement among the Village, MMBA, and MDEQ, and interest on principal amount shall accrue from the date such principal amount is drawn down by the Village. The Series 2001 Water Bonds shall be dated as of the date of original delivery thereof; shall bear interest at a rate of two and one-half percent (2.5%) per annum on the par value thereof or such other rate as evidenced by execution of the Purchase Contract, but in any event not to exceed the rate

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permitted by law, payable semiannually on April 1 and October 1 of each year commencing April 1, 2002 or such other date as shall be determined by one of the Authorized Officers at the time of sale. In addition, if required by the Michigan Municipal Bond Authority, the Series 2001 Bonds will bear additional interest, under the terms required by Michigan Municipal Bond Authority, in the event of a default by the Village in the payment of principal or interest on the Series 2001 Bonds when due. The Series 2001 Bonds shall be payable in the manner, in the amounts and on the dates as shall be determined by one of the Authorized Officers at the time of sale to the Michigan Municipal Bond Authority, provided that principal shall be payable either on April 1 or October 1 in the years currently anticipated to be 2002 through 2022, but in any event not to extend past 2026. The Series 2001 Bonds shall be subject to redemption prior to maturity as shall be permitted by the Michigan Municipal Bond Authority.

At the time of execution of the Purchase Contract with the Michigan Municipal Bond Authority, any one of the Authorized Officers may adjust the principal amount of the Series 2001 Bonds and the amounts and dates of principal maturities, the date of the Series 2001 Bonds and the interest payment dates, optional redemption provisions and other bond details which are to be finally determined by any one of the Authorized Officers and evidenced by signature of the Purchase Contract.

The Series 2001 Bonds shall be executed in the name of the Village by the manual or facsimile signature of the President and the Village Clerk provided that at least one signature on the Bond shall be a manual signature. The Series 2001 Bonds shall be delivered to the Michigan Municipal Bond Authority in accordance with instructions from the Village Clerk upon payment of the purchase price for the Series 2001 Bonds in accordance with the bid therefor when accepted.

The Village Clerk or Treasurer shall record on the registration books payment by the Village of each installment of principal or interest or both when made, and the cancelled checks or other records evidencing such payments shall be returned to and retained by the Village Clerk or Treasurer.

Section 6. Application to MDEQ and MMBA. Any one of the Authorized Officers is hereby authorized to apply to the MMBA and to the MDEQ for placement of the Series 2001 Bonds with the MMBA. Any one of the Authorized Officers is further authorized to execute and deliver such contracts, documents and certificates as they may determine to be necessary or advisable to qualify the Series 2001 Bonds for the Drinking Water Revolving Fund, including but not limited to the Supplemental Agreement among the Village, MMBA, and MDEQ providing for disbursement by the MMBA and MDEQ to the Village of the principal amount of the Series 2001 Bonds, and the Issuer's Certificate required by MMBA and MDEQ. Any one of the Authorized Officers is hereby authorized to make such changes to the form of Series 2001 Bond contained in Section 21 of this Ordinance as may be necessary to conform to the requirements of the MMBA, MDEQ, or Act 227, Public Acts of Michigan, 1985, as amended ("Act 227"),

including, but not limited to changes in the principal maturity and interest payment dates and references to additional security required by Act 227.

If required by the MMBA, the Village agrees to pledge the payments that the Village is eligible to receive from the State of Michigan under Act 140, Public Acts of Michigan, 1971, as amended ("State Revenue Sharing") to the Michigan Municipal Bond Authority as purchaser and holder of the Series 2001 Bonds for payment of the Series 2001 Bonds, and any one of the Authorized Officers is further authorized to negotiate, execute and deliver a revenue sharing pledge agreement with the MMBA for payment of such taxes to the MMBA, or to a trustee therefor, as provided in Section 23 of Act 227.

Section 7. Sale of Series 2001 Bonds to Michigan Municipal Bond Authority; Purchase Contract. The Village Council hereby approves the sale of the Series 2001 Bonds to the Michigan Municipal Bond Authority. Any one of the Authorized Officers may approve the final principal and interest payment dates, specific interest rates, and final principal amount of the Series 2001 Bonds and the principal payable on each maturity date, within the limitations contained in this authorization Ordinance, and approval of these terms shall be evidenced by execution by any one of the Authorized Officers of the Purchase Contract between the Village and the Michigan Municipal Bond Authority and by execution by the Village President and Clerk of the Series 2001 Bonds.

The Village Council hereby approves and authorizes the execution and delivery of the Purchase Contract between the Village and the Michigan Municipal Bond Authority in substantially the form presented to the Village Council with this Ordinance, with such changes as may be necessary or desirable, permitted by law, and not materially adverse to the Village as determined by any one of the Authorized Officers.

Section 8. Replacement of Bonds. If any Bond shall become mutilated, the Village, at the expense of the holder of the Bond, shall execute and deliver, a new Bond of like tenor in exchange and substitution for the mutilated Bond, upon surrender to the Village of the mutilated Bond. If any Bond issued under this Ordinance shall be lost, destroyed or stolen, evidence of the loss, destruction or theft may be submitted to the Village and, if this evidence is satisfactory to both and indemnity satisfactory to the Village shall be given, and if all requirements of any applicable law including Act 354, Public Acts of Michigan, 1972, as amended ("Act 354"), being sections 129.131 to 129.135, inclusive, of the Michigan Compiled Laws have been met, the Village, at the expense of the owner, shall execute and deliver, a new Bond of like tenor and bearing the statement required by Act 354, or any applicable law hereafter enacted, in lieu of and in substitution for the Bond so lost, destroyed or stolen. If any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond the Village may pay the same without surrender thereof.

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Section 9. Payment of Bonds; Defeasance. The Bonds and the interest thereon shall be payable primarily from the Net Revenues, and to secure such payment, there is hereby created a statutory lien upon the whole of the Net Revenues which shall continue until payment in full of the principal of and interest on all Bonds payable from the Net Revenues, or, until sufficient cash or Sufficient Government Obligations have been deposited in trust for payment in full of all principal and interest on Bonds of a series then Outstanding to maturity, or, if called for redemption, to the date fixed for redemption, together with the amount of the redemption premium, if any. Upon deposit of cash or Sufficient Government Obligations, as provided in the previous sentence, the statutory lien shall be terminated with respect to that series of Bonds, the holders of that series shall have no further rights under this Ordinance except for payment from the deposited funds, and the Bonds of that series shall be considered to be defeased and shall no longer be considered to be Outstanding under this Ordinance.

In addition the Village hereby pledges its limited tax full faith and credit for the payment of the principal of and interest on the Series 2001 Bonds. Should the Net Revenues of the System at any time be insufficient to pay the principal of and interest on the Series 2001 Bonds as the same become due, then the Village shall advance from any funds available therefor, or, if necessary, levy taxes upon all taxable property in the Village, subject to constitutional, statutory and charter limitations, such sums as may be necessary to pay said principal and interest. The Village shall be reimbursed for any such advance from the Net Revenues of the System subsequently received which are not otherwise pledged or encumbered by this Ordinance.

Section 10. Bondholders' Rights; Receiver. The holder or holders of the Bonds representing in the aggregate not less than twenty percent (20%) of the entire principal amount thereof then Outstanding, may, by suit, action, mandamus or other proceedings, protect and enforce the statutory lien upon the Net Revenues of the System, and may, by suit, action, mandamus or other proceedings, enforce and compel performance of all duties of the officers of the Village, including the fixing of sufficient rates, the collection of Revenues, the proper segregation of the Revenues of the System and the proper application thereof. The statutory lien upon the Net Revenues, however, shall not be construed as to compel the sale of the System or any part thereof.

If there is a default in the payment of the principal of or interest on the Bonds, any court having jurisdiction in any proper action may appoint a receiver to administer and operate the System on behalf of the Village and under the direction of the court, and by and with the approval of the court to perform all of the duties of the officers of the Village more particularly set forth herein and in Act 94.

The holder or holders of the Bonds shall have all other rights and remedies given by Act 94 and law, for the payment and enforcement of the Bonds and the security therefor.

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Section 11. Management; Fiscal Year. The operation, repair and management of the System and the acquisition and construction of the Project shall continue to be under the supervision and control of the Village Council. The Village Council may employ such person or persons in such capacity or capacities as it deems advisable to carry on the efficient management and operation of the System. The Village Council may make such rules and regulations as it deems advisable and necessary to assure the efficient management and operation of the System. The Fiscal Year for the System shall run concurrently with the Fiscal Year of the Village.

Section 12. No Free Service or Use. No free service or use of the System, or service or use of the System at less than cost, shall be furnished by the System to any person, firm or corporation, public or private, or to any public agency or instrumentality, including the Village.

Section 13. Rates and Charges; Fixing and Revising Rates; Rate Covenant. The methods of collection and enforcement of the collection of the rates and charges for service furnished by and the use of the System shall be those in effect on the date of adoption of this Ordinance, which, in the opinion of the Village Council, are currently sufficient to provide for the payment of the expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the System in good repair and working order, to provide for the payment of the principal of and interest on the Bonds as the same become due and payable, and the maintenance of any reserve therefor and to provide for all other obligations, expenditures and funds for the System required by law and this Ordinance.

Section 14. Funds and Accounts; Flow of Funds. Commencing on the date of delivery of the Series 2001 Bonds, all funds belonging to the System shall be transferred as herein indicated and all Revenues of the System shall be set aside as collected and credited to a separate depository account to be designated as the WATER SUPPLY SYSTEM RECEIVING FUND (the "Receiving Fund"). The Revenues credited to the Receiving Fund are pledged for the purpose of the following funds and shall be transferred or debited from the Receiving Fund periodically in the manner, at the times, and in the order of priority hereinafter specified, provided that no transfer shall be required to be made to a fund on any date if the amount on deposit in the fund is sufficient to meet the requirements of this Ordinance.

A. OPERATION AND MAINTENANCE FUND:

There shall next be established and maintained a separate account, pursuant to Section 16 of this Ordinance, designated as the OPERATION AND MAINTENANCE FUND (the "Operation and Maintenance Fund"). Out of the Revenues credited to the Receiving Fund there shall be first set aside in the Operation and Maintenance Fund the amounts necessary to provide for the payment of expenses of administration and operation of the System and such

current expenses for the maintenance thereof as may be necessary to preserve the same in good repair and working order.

B. BOND AND INTEREST REDEMPTION FUND:

There shall be established and maintained a separate depository account designated as the BOND AND INTEREST REDEMPTION FUND (the "Redemption Fund"), the moneys on deposit therein from time to time to be used solely for the purpose of paying the principal of, redemption premiums (if any) and interest on the Bonds. The moneys in the Redemption Fund (including any bond reserve account which may be established on a future date) shall be kept on deposit with the bank or trust company where the principal of and interest on the Bonds, or any series thereof, are payable.

Out of the Revenues remaining in the Receiving Fund after provision for the Operation and Maintenance Fund, there shall be set aside in the Redemption Fund prior to each date principal or interest on the Bonds is due, the amount necessary to provide for the payment when due of the principal of and interest on the Bonds.

The amount to be set aside for the payment of principal and interest on any date shall not exceed the amount which, when added to the money on deposit in the Redemption Fund, including investment income thereon and on any bond reserve account which may be established on a future date, is necessary to pay principal and interest due on the Bonds on the next succeeding principal payment date.

The Village may establish a separate bond reserve account in the Redemption Fund.

C. REPAIR AND REPLACEMENT FUND:

There shall next be established and maintained a separate account, pursuant to Section 16 of this Ordinance, designated as the REPAIR AND REPLACEMENT FUND (the "Repair and Replacement Fund"), the money credited thereto to be used solely for the purpose of making repairs and replacements to the System. On the date of delivery of the Series 2001 Bonds there shall be credited to the Repair and Replacement Fund a sum, if any, as shall be determined by the Village Clerk. Out of the Revenues and moneys of the System remaining in the Receiving Fund, after provision has been made for the transfer of moneys in the Operation and Maintenance Fund and the Redemption Fund (including any bond reserve account which may be established on a future date), there shall be transferred to the Repair and Replacement Fund such additional funds as shall be necessary to keep the System in proper repair and

working order. If at any time it shall be necessary to use moneys in the Repair and Replacement Fund for the purpose for which the Repair and Replacement Fund was established, the moneys so used shall be replaced from any moneys in the Receiving Fund which are not required by this Ordinance to be used for the Operation and Maintenance Fund or the Redemption Fund (including any bond reserve account which may be established on a future date).

D. GENERAL OBLIGATION DEBT FUND:

Out of the remaining Revenues in the Receiving Fund, or from other available moneys, after meeting the requirements of the foregoing Funds there may be next set aside in or credited periodically to a fund designated the General Obligation Debt Fund such sums as shall be necessary to pay debt service on general obligation bond issues of the Village or general obligations or contractual obligations of the Village which have been or may in the future be incurred for any System purposes.

E. SURPLUS MONEYS:

Thereafter, any Revenues in the Receiving Fund after satisfying all the foregoing requirements of this Section may, at the discretion of the Village, be used for any of the following purposes:

1. Transferred to the Repair and Replacement Fund.
2. Transferred to the Redemption Fund and used for the purchase of Bonds on the open market at not more than the fair market value thereof or used to redeem Bonds prior to maturity pursuant to the terms of the Bonds, or used to make payments to the Michigan Municipal Bond Authority to prepay Bonds prior to maturity pursuant to the terms of the Bonds.
3. Any other use permitted by law.

Section 15. Priority of Funds. In the event the moneys in the Receiving Fund are insufficient to provide for the current requirements of the Operation and Maintenance Fund or the Redemption Fund, any moneys or securities in other funds of the System, except the proceeds of sale of the Bonds, shall be credited or transferred, first, to the Operation and Maintenance Fund, and second, if the moneys on deposit in the Operation and Maintenance Fund are sufficient to meet the requirements of the Operation and Maintenance Fund, shall be credited or transferred to the Redemption Fund.

Section 16. Depository and Funds on Hand. Moneys in the several funds and the accounts established pursuant to this Ordinance, except moneys in the Redemption Fund (including any bond reserve account which may be established on a future date) and moneys derived from the proceeds of sale of the Bonds, may be kept in one bank account

at a bank or banks designated by resolution of the Village, and if kept in one bank account the moneys shall be allocated on the books and records of the Village in the manner and at the times provided in this Ordinance.

Section 17. 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 Village in United States of America obligations or in obligations the principal of and interest on which is fully guaranteed by the United States of America and any other investments hereafter permitted by law. Investment of moneys in the Redemption Fund being accumulated for payment of the next maturing principal or interest payment of 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.

In the event investments are made, any securities representing the same shall be kept on deposit with the bank or trust company having on deposit the fund or funds or account from which the purchase was made. Gains realized or interest income earned on investment of funds in the Receiving Fund, the Operation and Maintenance Fund, and the Repair and Replacement Fund shall be deposited in or credited to the Receiving Fund at the end of each fiscal year. Gains realized on interest income earned on investment of moneys in the Redemption Fund including income derived from any bond reserve account which may be established on a future date shall be credited as received to the Redemption Fund, provided that the bond reserve account, if any, is fully funded.

Section 18. Proceeds of Series 2001 Bonds. The proceeds of sale of the Series 2001 Bonds shall be deposited to a separate depository fund to be established and maintained at a bank or banks qualified to act as depository of the proceeds of sale under the provisions of Section 15 of Act 94 and designated the 2001 WATER SUPPLY SYSTEM CONSTRUCTION FUND (the "Construction Fund"). The Construction Fund shall be an account separate from other money of the Village as required under the provisions of Section 15 of Act 94. The Construction Fund shall be used to pay costs of acquiring and constructing the Project, including costs of issuance of the Series 2001 Bonds and payment of all legal, engineering, financial and other expenses.

Any unexpended balance of the proceeds of the Series 2001 Bonds remaining after completion of the Project may be used for further improvements, enlargements and extensions of the System in the discretion of the Village, provided that at the time of such expenditure such use be approved by the Michigan Department of Treasury if then required by law. Any remaining balance after such expenditure shall be paid into the Bond and Interest Redemption Fund and shall be used to pay principal and interest on the Series 2001 Bonds.

After completion of the Project and disposition of remaining proceeds, if any, of the Series 2001 Bonds pursuant to the provisions of this Section, the Construction Fund shall be closed.

Section 19. Covenants. The Village covenants and agrees with the holders of the Bonds as follows as long as any of the Bonds remain Outstanding and unpaid as to either principal or interest:

- (a) The Village will maintain the System in good repair and working order and will operate the same efficiently and will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Michigan and the Village's ordinances.
- (b) The Village will keep proper books of record and account separate from all other records and accounts of the Village, in which shall be made full and correct entries of all transactions relating to the System in accordance with state law. The Village shall have an annual audit of the books of record and accounts of the System for the preceding operating year made each year by an independent certified public accountant.
- (c) The Village will maintain and carry, for the benefit of the holders of the Bonds, insurance on all physical properties of the System and liability insurance, of the kinds and in the amounts normally carried by municipalities engaged in the operation of similar water supply systems, including self-insurance.
- (d) The Village will not sell, lease or dispose of the System, or any substantial part of the System, until all of the principal and interest on Bonds have been paid in full or provision made therefor as herein provided.
- (e) The Village will not grant any franchise or other rights to any person, firm or corporation to operate a System that will compete with the System.
- (f) The Village will cause the Project to be acquired and constructed promptly and in accordance with the plans and specification therefor.
- (g) The Village covenants and agrees with the Registered Owners of the Bonds that as long as any of the Bonds remain Outstanding and unpaid as to either principal or interest, the Village shall not invest, reinvest or accumulate any moneys deemed to be proceeds of the Bonds pursuant to the Internal Revenue Code in such a manner as to cause the Bonds to be "arbitrage bonds" within the meaning of the Internal Revenue Code. The Village hereby covenants that, to the extent permitted by law, it will take all actions within its control and that it shall not fail to take any action as may be necessary to maintain the exemption of interest on the Bonds from gross income for federal income tax purposes, including but not limited to, actions relating to the rebate of arbitrage earnings, if applicable, and the expenditure and investment of Bond proceeds and moneys deemed to be

Bond proceeds, all as more fully set forth in the Non-Arbitrage and Tax Compliance Certificate(s) to be delivered by the Village with the Bonds.

Section 20. Additional Bonds. The right is reserved in accordance with the provisions of Act 94, to issue Additional Bonds payable from the Revenues of the System which shall be of equal standing and priority of lien on the Net Revenues of the System with the Bonds as provided in this Section, but only for the following purposes and under the following terms and conditions:

- (a) To complete the Project in accordance with the plans and specifications therefor. Such Additional Bonds shall not be authorized unless the engineers in charge of construction shall execute a certificate evidencing the fact that additional funds are needed to complete the Project in accordance with the plans and specifications therefor and stating the amount that will be required to complete the Project. If such certificate shall be so executed and filed with the Village, it shall be the duty of the Village to provide for and issue Additional Bonds in the amount stated in said certificate to be necessary to complete the Project in accordance with the plans and specifications plus an amount necessary to issue such Additional Bonds or to provide for part or all of such amount from other sources.
- (b) For subsequent repairs, extensions, enlargements and improvements to the System or for the purpose of refunding part of any Bonds then Outstanding and paying costs of issuing such Additional Bonds including deposits which may be required to be made to any bond reserve account which may be established on a future date. Additional Bonds for such purposes shall not be issued pursuant to this subparagraph unless the Adjusted Net Revenues of the System for the then last two (2) preceding twelve-month operating years or the Adjusted Net Revenues for the last preceding twelve-month operating year, if the same shall be lower than the average, shall be equal to at least one hundred percent (100%) of the maximum amount of principal and interest thereafter maturing in any operating year on the then Outstanding Bonds and on the Additional Bonds then being issued. If the Additional Bonds are to be issued in whole or in part for refunding Outstanding Bonds, the annual principal and interest requirements shall be determined by deducting from the principal and interest requirements for each operating year the annual principal and interest requirements of any Bonds to be refunded from the proceeds of the Additional Bonds. For purposes of this subparagraph the Village may elect to use as the last preceding operating year any operating year ending not more than sixteen months prior to the date of delivery of the Additional Bonds and as the next to the last preceding operating year, any operating year ending not more

than twenty-eight months prior to the date of delivery of the Additional Bonds. Determination by the Village as to existence of conditions permitting the issuance of Additional Bonds shall be conclusive. No Additional Bonds of equal standing as to the Net Revenues of the System shall be issued pursuant to the authorization contained in this subparagraph if the Village shall then be in default in making its required payments to the Operation and Maintenance Fund or the Redemption Fund.

- (c) For refunding a part of the Outstanding Bonds and paying costs of issuing such Additional Bonds including deposits which may be required to be made to any bond reserve account which may be established on a future date. No Additional Bonds shall be issued pursuant to this subsection unless the maximum amount of principal and interest maturing in any operating year after giving effect to the refunding shall be less than the maximum amount of principal and interest maturing in any operating year prior to giving effect to the refunding.

Section 21. Series 2001 Bond Form. The Series 2001 Bonds shall be in substantially the following form with such revisions, additions and deletions as may be advisable or necessary to comply with the final terms of the Series 2001 Bonds established upon sale thereof:

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF IONIA

VILLAGE OF MUIR
WATER SUPPLY SYSTEM REVENUE BOND, SERIES 2001

Date of Original Issue: September 28, 2001

THE VILLAGE OF MUIR, County of Ionia, State of Michigan (the "Village"), for value received, hereby promises to pay to the Michigan Municipal Bond Authority (the "MMBA") as the Registered Owner of this bond, or registered assigns, primarily out of the hereinafter described Net Revenues of the Village's Water Supply System (hereinafter defined), the principal amount of One Million Eight Hundred Fifty Thousand Dollars (\$1,850,000) or such portion thereof as shall have been advanced to the Village (the "Principal Amount") pursuant to a Purchase Contract between the Village and the MMBA, and a Supplemental Agreement by and among the Village, the MMBA, and the State of Michigan acting through the Department of Environmental Quality (the "MDEQ"), in lawful money of the United States of America, unless prepaid prior thereto as hereinafter provided.

During the time the Principal Amount is being drawn down by the Village under this bond, the MMBA will periodically provide to the Village a statement showing the amount of principal that has been advanced and the date of each advance, which statement shall constitute prima facie evidence of the reported information; provided that no failure on the part of the MMBA to provide such a statement or to reflect a disbursement or the correct amount of a disbursement shall relieve the Village of its obligation to repay the outstanding Principal Amount actually advanced, all accrued interest thereon, and any other amount payable with respect thereto in accordance with the terms of this bond.

The Principal Amount shall be payable to the Registered Owner on the dates and in the annual principal installment amounts set forth on Schedule A attached hereto, as such Schedule A may be adjusted if less than \$1,850,000 is disbursed to the Village or if a portion of the Principal Amount is prepaid as provided below. The Village shall also pay to the Registered Owner interest at the rate of two and one-half percent (2.5%) per annum on the portion of the Principal Amount which has been disbursed to the Village and not yet repaid to the Registered Owner; such interest to accrue from the date each installment of the Principal Amount is drawn by the Village. Interest is first payable on

April 1, 2002 and semiannually thereafter on the first day of April and October of each year until repayment by the Village of the entire Principal Amount disbursed to the Village.

This Bond is subject to redemption prior to maturity by the Village in whole or in part only with the prior written consent of the MMBA and on such terms as may be required by the MMBA.

Notwithstanding any other provision of this bond, as long as the MMBA is the owner of this bond, (a) this bond is payable as to principal, premium, if any, and interest at the designated office of Bank One Trust Company, National Association. or at such other place as shall be designated in writing to the Village by the MMBA (the "MMBA's Depository"); (b) the Village agrees that it will deposit with the MMBA's Depository payments of the principal of, premium, if any, and interest on this bond in immediately available funds at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise; and (c) written notice of any redemption of this bond shall be given by the Village and received by the MMBA's Depository at least 40 days prior to the date on which such redemption is to be made.

ADDITIONAL INTEREST

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

For the prompt payment of principal and interest on this bond, the Village has irrevocably pledged the revenues of the Village's Water Supply System, including all appurtenances, extensions and improvements thereto (the "Water Supply System"), after provision has been made for reasonable and necessary expenses of operation, maintenance and administration (the "Net Revenues"), and a statutory lien thereon is

hereby recognized and created. In addition, in case of insufficiency of said Net Revenues, the principal of and interest on this bond shall be payable from the general funds of the Village or, if necessary, from ad valorem taxes levied upon all taxable property in the Village, subject to applicable charter, statutory and constitutional tax rate limitations.

This bond is transferable only upon the books of the Village kept for that purpose at the office of the Village Treasurer by the registered owner hereof in person, or by his attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the Village duly authorized in writing and thereupon a new registered bond in the same aggregate principal amount and with the same repayment schedule shall be issued to the transferee in exchange therefor as provided in the Ordinance, and upon the payment of the charges, if any, therein prescribed.

This bond is a single fully-registered non-convertible bond representing the entire series of bonds in the principal sum of \$1,850,000 issued pursuant to Ordinance No. 45 (the "Ordinance") duly enacted by the Village Council of the Village, 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 ("Act 94"), for the purpose of acquisition and construction of improvements to the Village's Water Supply 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 additional bonds of equal standing with this bond may hereafter be issued, and the general covenants and provisions pursuant to which this bond is issued, reference is made to the Ordinance. Copies of the Ordinance are on file at the office of the Village Clerk and reference is made to the Ordinance and any and all supplements thereto and modifications and amendments thereof, if any, and to Act 94 for a more complete description of the pledges and covenants securing this bond, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owner of this bond with respect thereto and the terms and conditions upon which this bond is issued and may be issued thereunder. The Village has reserved the right, on the conditions stated in the Ordinance, to issue additional bonds of equal standing and priority of lien with this bond as to the Net Revenues.

The Village hereby covenants and agrees to fix and maintain at all times while any bonds authorized by the Ordinance shall be outstanding, such rates for service furnished by the Water Supply System as shall be sufficient to provide for payment of the interest upon and the principal of all bonds payable from the revenues of the Water Supply System as and when the same become due and payable, and to create and maintain a bond redemption fund therefor, to provide for the payment of expenses of administration and operation and such expenses for maintenance of the Water Supply 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 Water Supply System as are required by the Ordinance.

It is hereby certified and recited that all acts, conditions and things required to be done, exist and happen, precedent to and in the issuance of this bond, in order to make them valid and binding obligations of the Village, have been done, exist and have happened in regular and due form and time as provided by law, and that the total indebtedness of said Village, including this bond, does not exceed any constitutional, statutory or charter limitation.

IN WITNESS WHEREOF, the Village of Muir, County of Ionia, State of Michigan, by its Village Council, has caused this bond to be executed by [the facsimile signatures of] its President and its Village Clerk, and its corporate seal to be hereunto [impressed] [printed], all as of the Date of Original Issue.

VILLAGE OF MUIR
County of Ionia, State of Michigan

(Seal)

[manual or facsimile signature
By _____ to appear on executed bond].
President

Countersigned:

[manual or facsimile signature
By _____ to appear on executed bond]
Village Clerk

SCHEDULE A

MDEQ Project No. 7079-1

MDEQ Approved Amount: \$1,850,000

Based on the schedule provided below, unless revised as provided in this paragraph, repayment of the Principal Amount of the Bond shall be made until the full amount advanced to the Village is repaid. In the event the Order of Approval issued by the Department of Environmental Quality (the "Order") approves a principal amount of assistance less than the amount of the Bond delivered to the MMBA, the MMBA shall only disburse principal up to the amount stated in the Order. In the event that less than the principal amount of assistance approved by the Order is disbursed to the Village by the MMBA, the MMBA shall prepare a new payment schedule which shall be effective upon receipt by the Village.

| Principal Installment April 1 | Amount of Principal Installment |
|----------------------------------|------------------------------------|
| 2003 | \$70,000 |
| 2004 | 75,000 |
| 2005 | 75,000 |
| 2006 | 75,000 |
| 2007 | 80,000 |
| 2008 | 80,000 |
| 2009 | 85,000 |
| 2010 | 85,000 |
| 2011 | 90,000 |
| 2012 | 90,000 |
| 2013 | 95,000 |
| 2014 | 95,000 |
| 2015 | 100,000 |
| 2016 | 100,000 |
| 2017 | 100,000 |
| 2018 | 105,000 |
| 2019 | 110,000 |
| 2020 | 110,000 |
| 2021 | 115,000 |
| 2022 | 115,000 |

(155)

Section 22. Amendments Without Consent of Registered Owners. The Village, from time to time and at any time, subject to the conditions and restrictions contained in this Ordinance, may enact one or more supplemental or amendatory ordinances or resolutions or both which thereafter shall form a part hereof, for any one or more or all of the following purposes:

- (a) To issue Additional Bonds or junior lien bonds;
- (b) To add to the covenants and agreements of the Village contained in this Ordinance other covenants and agreements thereafter to be observed, or to surrender, restrict or limit any right or power herein reserved to or conferred upon the Village (including but not limited to the right to issue Additional Bonds);
- (c) To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions contained in this Ordinance, or in regard to matters or questions arising under this Ordinance, as the Village may deem necessary or desirable and not inconsistent with this Ordinance and which shall not have material, adverse effect on the interests of the Registered Owners of the Bonds; and
- (d) To increase the size or scope of the System.

Any amendment or supplemental ordinance or resolution authorized by the provisions of this Section may be enacted by the Village without the consent of or notice to the Registered Owners of any of the Outstanding Bonds, notwithstanding any of the provisions of Section 23 below.

Section 23. Amendments Requiring Consent of Registered Owners. The Village, from time to time and at any time, subject to the conditions and restrictions contained in this Ordinance, may enact one or more supplemental or amendatory ordinances or resolutions or both which thereafter shall form a part hereof, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Ordinance or of any supplemental ordinance, provided, however, that no such supplemental ordinance shall (i) extend the fixed maturity of any Bond, change a mandatory redemption requirement for any Bond, or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce or extend the time for payment of any premium payable on the redemption thereof, without the consent of the Registered Owner of each Bond so affected, or (ii) deprive the Registered Owners of the Bonds (except as aforesaid) of the right to payment of the Bonds from the Net Revenues, without the consent of the Registered Owners of all the Outstanding Bonds.

It shall not be necessary for the consent of the Registered Owners under this Section to approve the particular form of any proposed supplemental ordinance, but it shall be sufficient if such consent shall approve the substance thereof.

Section 24. Severability and Paragraph Headings. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance. The paragraph headings in this Ordinance are furnished for convenience of reference only and shall not be considered to be part of this Ordinance.

Section 25. Publication and Recordation. In accordance with the provisions of Section 6 of Act 94, this Ordinance shall be published once in full in the *Sentinel-Standard*, Ionia, Michigan, a newspaper of general circulation in the Village of Muir qualified under State of Michigan law to publish legal notices, promptly after its adoption, and shall be recorded in the Ordinance Book of the Village and such recording authenticated by the signatures of the President and the Village Clerk.

Section 26. Effective Date. This Ordinance is hereby determined by the Village Council to be immediately necessary for the preservation of the public peace, property, health, and safety of the Village. In accordance with the provisions of Section 6 of Act 94, this Ordinance shall become effective immediately upon its adoption.

I hereby certify that the foregoing is a true and complete copy of an Ordinance enacted by the Village Council of the Village of Muir, County of Ionia, State of Michigan, at a Regular Meeting held on Tuesday, September 4, 2001, at 7:00 p.m. prevailing Eastern Time, and that said meeting was conducted and public notice of said meeting was given pursuant to the Open Meetings Act, being Act No. 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act 267.

I further certify that the following Village Council members were present at said meeting Waterman, Schneider, Walkington, Jones, Crooke, Stowell, _____
Wolverton _____ and that the following Village Council members were absent -0- _____.

I further certify that Village Council member Crooke _____ moved adoption of said Ordinance, and that said motion was supported by Village Council member Jones _____.

I further certify that the following Village Council members voted for adoption of said Ordinance Waterman, Schneider, Walkington, Jones, Crooke, Stowell _____
and Wolverton _____ and that the following Village Council members voted against adoption of said Ordinance none _____.

I further certify that said Ordinance has been recorded in the Ordinance Book and that such recording has been authenticated by the signature of the President and the Village Clerk.

Lee Waterman
President

Laura Stewart
Village Clerk

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