

ORDINANCE NO. 2013-3

AN ORDINANCE TO PROVIDE FOR THE ISSUANCE AND SALE OF JUNIOR LIEN REVENUE BONDS TO PROVIDE FOR THE ACQUISITION, CONSTRUCTION, FURNISHING AND EQUIPPING OF IMPROVEMENTS AND EXTENSIONS TO THE SANITARY SEWER SYSTEM OF THE CHARTER TOWNSHIP OF UNION; 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 ADEQUATE RESERVE ACCOUNTS FOR THE BONDS AND THE SYSTEM; 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 PROVIDE FOR OTHER MATTERS RELATING TO THE BONDS AND THE SYSTEM.

THE CHARTER TOWNSHIP OF UNION ORDAINS:

Section 1. Definitions. The following words and terms used in this Ordinance shall have the meanings assigned 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 the bonds issued pursuant to Section 17 of this Ordinance.

“Bond Reserve Account” shall mean the subaccount in the Junior Lien Bond and Interest Redemption Account established in accordance with Section 12 of this Ordinance.

“Bond Registrar” shall mean the Transfer Agent.

“Bond” and “Bonds” shall mean the Issuer’s Series 2013 Bond.

“Depository Bank” shall mean Isabella Bank, Mt. Pleasant, Michigan, a member of the Federal Deposit Insurance Corporation, or other financial institution qualified to serve as depository bank and designated by resolution of the Issuer.

“Engineer” shall mean Gourdie-Fraser, Inc. professional engineers of Traverse City, Michigan.

“Fiscal Year” shall mean the fiscal year of the Issuer and the operating year of the System, commencing January 1 and ending December 31, as such year may be changed from time to time.

“Government” shall mean the government of the United States of America or any agency thereof.

“Issuer” shall mean the Charter Township of Union, County of Isabella, State of Michigan.

“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.

“Ordinance No. 2004-05” shall mean Ordinance No. 2004-05, adopted April 4, 2004, authorizing issuance of the Series 2004 Bonds.

“Ordinance No. 2011-02” shall mean Ordinance No. 2011-02, adopted May 11, 2011, authorizing issuance of the Series 2011 Bonds.

“Outstanding Bonds” shall mean the Outstanding Junior Lien Bonds and the Outstanding Senior Lien Bonds.

“Outstanding Junior Lien Bonds” shall mean the Series 2011 Bonds.

“Outstanding Senior Lien Bonds” shall mean the Series 2004 Bonds.

“Outstanding Ordinances” shall mean Ordinance No. 2004-05 and Ordinance No. 2011-02, authorizing the issuance of the Outstanding Bonds.

“Project” shall mean acquiring, constructing, furnishing and equipping sanitary sewer system improvements, to serve the Issuer, including, but not limited to improvements at the wastewater facility, liftstation upgrades and forcemain improvements and all related appurtenances and attachments thereto.

“Public Improvements” 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.

“Reserve Amount” shall mean with respect to the Series 2013 Bond the lesser of (1) the maximum annual debt service due on the Series 2013 Bond in the current or any future year, (2) 125% of the average annual debt service on the Series 2013 Bond, or (3) 10% of the outstanding principal amount of the Series 2013 Bond at the time of measurement of the Reserve Amount.

“Revenues” and “Net Revenues” shall mean the revenues and net revenues of the Issuer derived from the operation 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.

"Series 2004 Bonds" shall mean the Sanitary Sewer System Revenue Refunding Bonds, Series 2004, issued pursuant to Ordinance No. 2004-05.

"Series 2011 Bonds" shall mean the Sanitary Sewer System Junior Lien Revenue Bond, Series 2011, issued pursuant to Ordinance No. 2011-02.

"Series 2013 Bond" shall mean the Issuer's Sanitary Sewer System Junior Lien Revenue Bond, Series 2013 (Taxable), in the principal amount of not to exceed \$4,804,000, authorized to be issued pursuant to Sections 4 and 5 of this Ordinance.

"System" shall mean 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 to the System hereafter made.

"Transfer Agent" shall mean the transfer agent and bond registrar for the Series 2013 Bond 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.

Section 2. Necessity; Approval of Plans and Specifications. It is hereby determined to be a necessary public purpose of the Issuer to acquire and construct the Project in accordance with the plans and specifications prepared by the Issuer's Engineer and on file with the Issuer, which plans and specifications are hereby approved.

Section 3. Costs; Useful Life. The total cost of the Project is estimated not to exceed Four Million Eight Hundred Four Thousand Dollars (\$4,804,000), including the payment of issuance costs and other 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 forty (40) years.

Section 4. Payment of Cost; Bonds Authorized. To pay part of the cost of acquiring, constructing, furnishing and equipping the Project, including payment of all legal, engineering, financial and other expenses incident to said acquisition, construction, furnishing and equipping, and the costs of issuance and sale of the Series 2013 Bond, it is hereby determined that the Issuer borrow the sum of not to exceed Four Million Eight Hundred Four Thousand Dollars (\$4,804,000) and that revenue bonds be issued therefor pursuant to the provisions of Act 94. The remaining cost of the Project, if any, shall be paid from other funds available to the Issuer.

Section 5. Bond Details. The Series 2013 Bond shall be designated SANITARY SEWER SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2013 (TAXABLE), shall be dated as of the date of delivery of the first installment, shall consist of one fully-registered nonconvertible bond of the denomination of \$4,804,000 and shall be payable in principal installments serially on July 1 of each year, as follows:

| <u>Year</u> | <u>Amount</u> | <u>Year</u> | <u>Amount</u> |
|-------------|---------------|-------------|---------------|
| 2014 | \$67,000 | 2034 | \$116,000 |
| 2015 | 69,000 | 2035 | 119,000 |
| 2016 | 71,000 | 2036 | 122,000 |
| 2017 | 73,000 | 2037 | 126,000 |
| 2018 | 75,000 | 2038 | 129,000 |
| 2019 | 77,000 | 2039 | 133,000 |
| 2020 | 79,000 | 2040 | 136,000 |
| 2021 | 81,000 | 2041 | 140,000 |
| 2022 | 84,000 | 2042 | 144,000 |
| 2023 | 86,000 | 2043 | 148,000 |
| 2024 | 88,000 | 2044 | 152,000 |
| 2025 | 91,000 | 2045 | 156,000 |
| 2026 | 93,000 | 2046 | 160,000 |
| 2027 | 96,000 | 2047 | 165,000 |
| 2028 | 98,000 | 2048 | 169,000 |
| 2029 | 101,000 | 2049 | 174,000 |
| 2030 | 104,000 | 2050 | 179,000 |
| 2031 | 107,000 | 2051 | 184,000 |
| 2032 | 110,000 | 2052 | 189,000 |
| 2033 | 113,000 | 2053 | 200,000 |

The Supervisor is authorized to decrease the aggregate principal amount of the Series 2013 Bond and change the payment dates and the payment amounts of any of the foregoing installments; provided that the final principal installment of the Series 2013 Bond shall be due and payable within forty (40) years of the date of issuance of the Series 2013 Bond.

The Series 2013 Bond is expected to be delivered to the Government as initial purchaser thereof in installments (the "delivery installments") and each delivery installment shall be noted on the registration grid set forth on the Series 2013 Bond. The delivery installments shall be deemed to correspond to the serial principal installments of the Series 2013 Bond in direct chronological order of said serial principal installments.

The serial principal installments of the Series 2013 Bond will 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 Series 2013 Bond at the rate of not to exceed two and three-quarters percent (2.75%) per annum, payable on the first January 1 or July 1 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. Acceptance of the interest rate on the Series 2013 Bond shall be made by execution of the Series 2013 Bond which so designates the rate specified by the Government and accepted in writing by the Issuer. The Series 2013 Bond shall be issued in fully-registered form and the Series 2013 Bond shall not be convertible or exchangeable into more than one fully-registered bond.

The Series 2013 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 Series 2013 Bond set forth in Section 9 of this Ordinance.

Section 6. 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 the Bonds presented for transfer, as hereinafter provided and subject to such reasonable regulations as it may prescribe.

The Bonds 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 Bonds for transfer, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Transfer Agent. Whenever the 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 Bonds. At the time of such transfer the Transfer Agent shall note on each of the Bonds 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 the Bonds during a period beginning at the opening of business fifteen days before the day of the mailing of a notice of prepayment of the Bonds or installments thereof selected for redemption and ending at the close of business on the day of that mailing, or (ii) to register the transfer of or exchange the Bonds or portion thereof so selected for prepayment. In the event any of the Bonds is called for prepayment in part, the Transfer Agent, upon surrender of the Bond called for prepayment in part, 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.

The Issuer's Treasurer is hereby appointed to act as Transfer Agent with respect to the Series 2013 Bond. If and at such time as the Series 2013 Bond is transferred to or held by any registered owner other than the Government, the Issuer by resolution may appoint a bank or trust company qualified under Michigan law to act as paying agent, transfer agent and bond registrar with respect to the Series 2013 Bond, and the Issuer may thereafter appoint a successor Transfer Agent upon sixty (60) days notice to the registered owner of the Series 2013 Bond. The Issuer's Treasurer is hereby authorized to execute an agreement with any successor Transfer Agent.

Section 7. Payment of the Bonds. Principal of and interest on the Bonds 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. If the Government shall no longer be the registered owner of the Bonds, then the principal of and interest on the Bonds 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 Transfer Agent shall record on the registration books the payment by the Issuer of each installment of principal or interest or both on the Series 2013 Bond 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 Series 2013 Bond, the registered owner thereof shall deliver the Series 2013 Bond to the Issuer for cancellation.

The Issuer's Supervisor, the Township Manager and the Public Works Coordinator each is hereby authorized and directed to negotiate privately the sale of the Series 2013 Bond to the Government at an interest rate not to exceed two and three-quarters percent (2.75%) per annum. The sale of the Series 2013 Bond to the Government at an interest rate of not to exceed two and three-quarters percent (2.75%) per annum and at the par value thereof is hereby approved. The Issuer's Treasurer is hereby authorized to deliver the Series 2013 Bond in accordance with the delivery instructions of the Government.

Section 8. Execution and Delivery of the Series 2013 Bond. The Series 2013 Bond shall be manually signed by the Township Supervisor and countersigned by the Township Clerk and shall have the corporate seal of the Issuer impressed thereon. After execution, the Series 2013 Bond shall be held by the Issuer's Treasurer for delivery to the Government. Neither the Series 2013 Bond nor any installment thereof shall be valid until registered by the Issuer's Treasurer as Bond Registrar or by another person designated in writing by the Issuer's Treasurer to act as Bond Registrar, or upon transfer by the Government and thereafter, by an authorized representative of the Transfer Agent.

Section 9. Bond Form. The form and tenor of the Series 2013 Bond shall be substantially as follows:

REGISTERED
UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF ISABELLA

CHARTER TOWNSHIP OF UNION

SANITARY SEWER SYSTEM JUNIOR LIEN
REVENUE BOND, SERIES 2013 (TAXABLE)

No. R-1

\$4,804,000

The Charter Township of Union, County of Isabella, State of Michigan (the "Issuer"), acknowledges itself to owe and for value received hereby promises to pay to the registered owner hereof, but only out of the hereinafter described Net Revenues of the sanitary sewer system including all appurtenances, additions, extensions and improvements thereto (the System"), the sum of

Four Million Eight Hundred Four Thousand 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 installment is delivered to the Issuer and as set forth on the registration grid hereon until paid at the rate of two and three-quarters percent (2.75%) per annum, first payable on January 1, 2014, and semiannually thereafter; provided that the principal repayments required herein to the registered owner shall not exceed the total of the principal installments set forth on the registration grid attached hereto from time to time hereafter to acknowledge receipt of payment of the purchase price of this bond up to a total of \$4,804,000. 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 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 lien thereon is hereby recognized and created, which is of junior standing and priority of lien as to the Net Revenues to the Issuer's Sanitary Sewer System Revenue Refunding Bonds, Series 2004 and of equal standing and priority of lien with the Issuer's Sanitary Sewer System Junior Lien Revenue Bond, Series 2011 (Taxable) (together, the "Outstanding Bonds"), issued, respectively, pursuant to Ordinance No. 2004-05, adopted on April 4, 2004, and Ordinance No. 2011-02, adopted on May 11, 2011 (together, the "Outstanding Ordinances").

This bond is a single, fully-registered, non-convertible bond in the principal sum of not to exceed \$4,804,000, issued pursuant Ordinance No. ____ of the Issuer adopted _____, 2013 (the "Ordinance"), 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 constructing 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 additional bonds of superior and 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 and the Outstanding Ordinances.

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 and statutory debt limitation, but is payable, both as to principal and interest, from the Net Revenues of the System. The principal of and interest on the bond are secured by the statutory lien hereinbefore mentioned.

Principal installments of this bond are subject to prepayment prior to maturity, in inverse chronological order, at the Issuer's option, on any date on or after July 1, 2014, 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 or successor or written designee as bond registrar and transfer agent (the "Bond Registrar/Transfer Agent") and noted hereon, after which it shall be transferable only upon presentation to the Bond Registrar/Transfer Agent with a written transfer by the registered owner or his attorney in fact. Such transfer shall be noted hereon and upon the books of the Issuer kept for that purpose by the Bond Registrar/Transfer Agent.

The Issuer has covenanted and agreed and does hereby covenant and agree to fix and maintain at all times while any bonds including any installments of this bond payable from the Net Revenues of the System 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 this bond, the Outstanding Bonds, and any additional bonds of equal or superior standing to this bond payable from the Net Revenues of the System as and when the same become due and payable, and to create a Junior Lien Bond and Interest Redemption Account (including 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 or the Outstanding Ordinances.

It is hereby certified and recited that all acts, conditions and things required by law to be done 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 Issuer, by its Township Board, has caused this bond to be signed in its name by its Supervisor and to be countersigned by its Township Clerk, and its corporate seal to be hereunto affixed, all as of _____, 2013.

CHARTER TOWNSHIP OF UNION

By _____
Its Supervisor

(Seal)

Countersigned:

By _____
Its Township Clerk

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

**SANITARY SEWER SYSTEM JUNIOR LIEN
REVENUE BOND, SERIES 2013 (TAXABLE)**

REGISTRATION
NOTHING TO BE WRITTEN HEREON EXCEPT
BY THE BOND REGISTRAR/TRANSFER AGENT

[illegible]

EXHIBIT A

CHARTER TOWNSHIP OF UNION
SANITARY SEWER SYSTEM JUNIOR LIEN
REVENUE BOND, SERIES 2013 (TAXABLE)

| <u>July 1</u> | <u>Amount</u> | <u>July 1</u> | <u>Amount</u> |
|---------------|---------------|---------------|---------------|
| 2014 | \$67,000 | 2034 | \$116,000 |
| 2015 | 69,000 | 2035 | 119,000 |
| 2016 | 71,000 | 2036 | 122,000 |
| 2017 | 73,000 | 2037 | 126,000 |
| 2018 | 75,000 | 2038 | 129,000 |
| 2019 | 77,000 | 2039 | 133,000 |
| 2020 | 79,000 | 2040 | 136,000 |
| 2021 | 81,000 | 2041 | 140,000 |
| 2022 | 84,000 | 2042 | 144,000 |
| 2023 | 86,000 | 2043 | 148,000 |
| 2024 | 88,000 | 2044 | 152,000 |
| 2025 | 91,000 | 2045 | 156,000 |
| 2026 | 93,000 | 2046 | 160,000 |
| 2027 | 96,000 | 2047 | 165,000 |
| 2028 | 98,000 | 2048 | 169,000 |
| 2029 | 101,000 | 2049 | 174,000 |
| 2030 | 104,000 | 2050 | 179,000 |
| 2031 | 107,000 | 2051 | 184,000 |
| 2032 | 110,000 | 2052 | 189,000 |
| 2033 | 113,000 | 2053 | 200,000 |

Section 10. Security for Series 2013 Bond. The Series 2013 Bond and the interest thereon shall be payable 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 be junior and subordinate in standing and priority to the statutory lien established in the Outstanding Ordinances for the benefit of the Outstanding Senior Lien Bonds and equal in standing and priority of lien to the Outstanding Junior Lien Bonds and which shall continue until payment in full of the principal of and interest on the Series 2013 Bond. The Net Revenues shall be set aside for the purpose of paying the principal of and interest on the Series 2013 Bond in the Junior Lien Bond and Interest Redemption Account as hereinafter provided.

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 Government without request from the Government for review prior to adoption (as long as the Government 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 with a surety company in an amount at least equal to the maximum annual debt service for the Series 2013 Bond.

The Issuer's Treasurer is hereby directed to create and maintain the following funds and accounts into which the proceeds of the Series 2013 Bond 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 the Series 2013 Bond hereby authorized remains unpaid.

(A) CONSTRUCTION ACCOUNT. The proceeds of the Series 2013 Bond hereby authorized shall be deposited in the 2013 SANITARY SEWER PROJECT BONDS CONSTRUCTION FUND ACCOUNT (the "Construction Account"), in the Depository Bank. Moneys in the Construction Account shall be transferred, expended and used only in the manner as follows:

(1) To pay all legal, engineering, and financial expenses, and other expenses incident to the acquisition, construction, furnishing and equipping of the Project and incident to the issuance, sale and delivery of the Series 2013 Bond;

(2) Payments necessary to finance the cost of the acquisition, construction, furnishing, and equipping of the Project, or to reimburse the Issuer for funds expended in connection with the foregoing including funds expended from the proceeds of bond anticipation notes issued to pay the cost of the acquisition, construction, furnishing and equipping of the Project.

Any unexpended balance of the proceeds of sale of the Series 2013 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, if any, shall be paid into the Junior Lien Bond and Interest Redemption Account and used as soon as is practical for the prepayment of installments of the Series

2013 Bond. Following completion of the Project, any unexpended balance of the Series 2013 Bond shall be invested at a yield not to exceed the yield on the Series 2013 Bond.

After completion of the Project and disposition of remaining proceeds, if any, of the Series 2013 Bond pursuant to the provisions of this Section, the Construction Account shall be closed.

(B) RECEIVING FUND. Upon and after the effective date of this Ordinance, the Revenues of the System shall continue to be set aside periodically into the existing SANITARY SEWER SYSTEM RECEIVING FUND (the "Receiving Fund") as provided in the Outstanding Ordinances, and moneys so deposited therein shall be transferred, expended and used only in the manner and order as provided in the Outstanding Ordinances and this Ordinance:

(1) Operation and Maintenance Account. Upon and after the effective date of this Ordinance, the Revenues of the System shall continue to be transferred periodically from the Receiving Fund to the operation and maintenance account (the "Operation and Maintenance Account") previously established to pay the reasonable and necessary current expenses of administration and operating and maintaining the System.

(2) Outstanding Bonds Requirements. After the transfer required in (1) above, there shall next be withdrawn from the Receiving Fund and transferred to and set aside in the bond and interest redemption fund (the "Bond and Interest Redemption Fund") established in the Outstanding Ordinances at the times provided in the Outstanding Ordinances revenues sufficient to meet all of the requirements for funding the Bond and Interest Redemption Fund (including the bond reserve accounts, if any) and Revenues so deposited shall be used as required in the Outstanding Ordinances.

(3) Sanitary Sewer System Junior Lien Bond and Interest Redemption Account. There is hereby continued and maintained a separate account designated as the SANITARY SEWER SYSTEM JUNIOR LIEN BOND AND INTEREST REDEMPTION ACCOUNT (the "Junior Lien Bond and Interest Redemption Account"). In addition to the transfers to the Junior Lien Bond and Interest Redemption Account required by Ordinance 2011-02, after the transfer required in (1) and (2) above, Revenues shall be transferred each quarter of the Fiscal Year, commencing October 1, 2013 from the Receiving Fund, before any other expenditures or transfer therefrom, and deposited in the Junior Lien Bond and Interest Redemption Account for payment of principal of and interest on the Series 2013 Bond and to fund the Bond Reserve Account.

Upon any delivery of an installment of the Series 2013 Bond there shall be set aside at the time of 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 be set aside each Fiscal Year quarter on or after October 1, 2013, 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 Series 2013 Bond not delivered during the then current interest payment period.

Upon any delivery of an installment of the Series 2013 Bond 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 principal payment date an amount equal to that fraction of the amount of principal 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. There shall also be set aside each Fiscal Year quarter on or after October 1, 2013, an amount not less than 1/4 of the amount of principal due on the next principal payment date. Except as hereinafter provided, no further deposits shall be made into the Junior Lien Bond and Interest Redemption Account (excluding the Bond Reserve Account) once the aforesaid sums have been deposited therein. Any amount on deposit in the Junior Lien Bond and Interest Redemption Account (excluding the Bond Reserve Account) in excess of (a.) the amount needed for payment of principal installments of the Series 2013 Bond and the Outstanding Bonds for the then current principal payment period, plus (b.) interest on the Series 2013 Bond for the then current interest payment period, shall be used by the Issuer for redemption of principal installments of the Bonds in the manner set forth in Section 9 hereof and of the Outstanding Bonds, or, 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 Junior Lien Bond and Interest Redemption Account out of the Revenues first received thereafter which are not required by this Ordinance or the Outstanding Ordinances to be deposited in the Operation and Maintenance Account, the Bond and Interest Redemption Fund or in the Junior Lien Bond and Interest Redemption Account, which amount shall be in addition to the regular quarterly deposit required during such succeeding quarter or quarters.

There is hereby recognized in the Junior Lien Bond and Interest Redemption Account a separate account designated as the JUNIOR LIEN BOND RESERVE ACCOUNT. In addition to the transfers to the Junior Lien Bond Reserve Account required by Ordinance 2011-02, commencing October 1, 2013 there shall be withdrawn from the Receiving Account 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 Account and the current requirements of the Bond and Interest Redemption Fund and the Junior Lien Bond and Interest Redemption Account, the sum of at least \$5,000 per quarter (\$20,000 annually) until there is accumulated in such account the lesser of the sum of \$200,000 or the Reserve Amount. Except as hereinafter provided, no further deposits shall be made into the Junior Lien Bond and Interest Redemption Account for the purposes of the Bond Reserve Account once the lesser of the sum of \$200,000 or the Reserve Amount has 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 Outstanding Junior Lien Bonds and the Bonds as to which there would otherwise be default; provided however, that in the event the amount on deposit in the Bond Reserve Account exceeds the Reserve Amount, the moneys in excess of the Reserve Amount shall be used to pay principal installments of and interest on the Bonds on the next payment date.

If at any time it shall be necessary to use moneys in the Junior Lien 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 or the Outstanding Ordinances to be used for operation and maintenance or for current principal and interest requirements for the Outstanding Junior Lien Bonds or the Bonds.

No further payments need be made into the Junior Lien Bond and Interest Redemption Account after enough of the principal installments of the Series 2013 Bond have been retired so that the amount then held in the Junior Lien Bond and Interest Redemption Account (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 Outstanding Junior Lien Bonds and the Bonds then remaining outstanding.

The moneys in the Junior Lien Bond and Interest Redemption Account 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.

(4) Repair, Replacement and Improvement Account. There is hereby continued and maintained a separate account designated SANITARY SEWER SYSTEM REPAIR, REPLACEMENT AND IMPROVEMENT ACCOUNT (the "RRI Account"). In addition to the transfers to the RRI Account required by Ordinance 2011-02, after the transfers required in (1) and (2) above, and so long as any principal installments of the Series 2013 Bond remain outstanding, revenues shall be transferred each Fiscal Year quarter from the Receiving Account and deposited in the RRI Account in an amount not less than \$9,678.00 per quarter (\$38,712 per year), less the amount, if any, deposited in the Bond Reserve Account at the beginning of the same Fiscal Year quarter. Moneys in the RRI Account shall be used and disbursed only for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the System, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the System, (c) acquiring and constructing extensions and improvements to the System and (d) when necessary, for the purpose of making payment of principal and interest on the Series 2013 Bond and the Outstanding Bonds. If the amount in the Junior Lien Bond and Interest Redemption Account and the Bond Reserve Account is not sufficient to pay the principal of and interest on the Series 2013 Bond or the Outstanding Bonds when due, moneys in the RRI Account shall be transferred to the Junior Lien Bond and Interest Redemption Account or the Bond and Interest Redemption Fund established for the Outstanding Bonds and used for that purpose, priority being given to payment of the Outstanding Bonds. Moneys in the RRI Account may be invested in accordance with Section 13 of this Ordinance.

(5) Reverse Flow of Funds; Surplus Money. 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 funds or accounts (including the bond reserve accounts, if any) for the Outstanding Bonds, the Junior Lien Bond and Interest Redemption Account (including the Bond Reserve Account) or the RRI Fund, any moneys and/or securities in the funds of the System described by this Ordinance shall be transferred, first, to the Operation and Maintenance Fund, second, Bond and Interest Redemption Fund, third, the Junior Lien Bond and Interest Redemption Account, and fourth, to the RRI Fund.

All moneys remaining in the Receiving Fund at the end of any Fiscal Year after satisfying the above requirements for the deposit of moneys into the Operation and Maintenance Account, the Bond and Interest Redemption Fund, the Junior Lien Bond and Interest Redemption Account and the RRI Fund may be transferred to the Bond and Interest Redemption Fund and the Junior Lien Bond and Interest Redemption Account and used to call Outstanding Bonds or portions thereof and the Series 2013 Bond or portions thereof for redemption, or at the option of the Issuer, transferred to the RRI Fund and used for the purpose for which the funds were established; provided, however, that if there should be a deficit in the Operation and Maintenance Fund, the Bond and Interest Redemption Account, the Bond Reserve Account or the RRI 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 Series 2013 Bond may be invested by the legislative body of the Issuer on behalf of the Issuer in the obligations and instruments permitted for investment by Section 24 of Act 94, as the same may be amended from time to time; provided, however, that as long as the Series 2013 Bond is held by the Government, then the investment may be limited to the obligations and instruments authorized by the Government. Investment of moneys in the Junior Lien Bond and Interest Redemption Account being accumulated for payment on the next maturing principal or interest payment on the Series 2013 Bond shall be limited to obligations and instruments bearing maturity dates prior to the date of the next maturing principal or interest payment on the Series 2013 Bond. Investment of moneys in the Bond Reserve Account shall be limited to Government obligations and instruments bearing maturity dates or subject to redemption, at the option of the holder thereof, not later than five (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 Junior Lien Bond and Interest Redemption Account (except the Bond Reserve Account), shall be deposited in or credited to the Receiving Fund. Interest income earned on the investment of funds in the Bond Reserve Account shall be deposited in the Junior Lien Bond and Interest Redemption Account.

Section 14. Rates and Charges. Rates and charges for the services of the System have been fixed by ordinance in an amount sufficient to pay the costs of operating, maintaining and administering the System, to pay the principal of and interest on the Series 2013 Bond and the Outstanding 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 Series 2013 Bond and the Outstanding 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 Junior Lien Bond and Interest Redemption Account (including a bond reserve account) for the Series 2013 Bond. 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 the Series 2013 Bond and the Outstanding Bonds, and accruing interest on the Series 2013 Bond and the Outstanding 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 and the requirements of the Outstanding Ordinances.

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 the Series 2013 Bond hereby authorized remains unpaid, as follows:

(a) It will comply with applicable State laws and regulations and continually operate and maintain the System in good condition.

(b)(i) It will maintain complete books and records relating to the operation and financial affairs of the System. If the Government is the holder of the Series 2013 Bond, the Government shall have the right to inspect the System and the records, accounts, and data relating thereto at

all reasonable times.

(ii) 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 the Government, without request of the Government. Such audit shall be completed and so made available not later than one hundred eighty (180) 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.

(c) It will maintain and carry, for the benefit of the holders of the Series 2013 Bond, 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. The amount of said insurance shall be approved by the Government. 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.

(d) 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 Government, 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.

(e) 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 Government.

(f) Any extensions to or improvements of the System shall be made according to sound engineering principles and specifications shall be submitted to the Government for prior review.

Section 17. Additional Bonds. The Issuer may issue additional bonds of equal standing with the Series 2013 Bond for the following purposes and on the conditions set forth in Section 17 of Ordinance 2011-02.

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 Series 2013 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 or resolution in any way adversely affecting the rights or the holders so long as the Series 2013 Bond or interest thereon remains unpaid.

Section 19. Refunding of Series 2013 Bond. If at any time it shall appear to the Government that the Issuer is able to refund upon call for redemption or with consent of the Government the then outstanding Series 2013 Bond 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 Junior Lien Bond and Interest Redemption Account, provisions of this Ordinance or in the payment of principal of or interest on any of the Series 2013 Bond, upon the filing of a suit by 20 percent of the holders of the Series 2013 Bond, 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 Series 2013 Bond and the Outstanding Bonds and for the payment of operation, maintenance and administrative expenses and to apply Revenues in accordance with this Ordinance, the Outstanding Ordinances and the laws of the State 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 Series 2013 Bond 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 Government 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 Government 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 the Fiscal Year.

Section 23. Issuer Subject to Loan Resolution. So long as the Government is holder of the Series 2013 Bond, the Issuer shall be subject to the loan resolution (RUS Bulletin 1780-27) and shall comply with all provisions thereof.

Section 24. Covenant Not to Defeas. So long as the Government is the holder of the Series 2013 Bond the Issuer covenants that it will not defeas the Series 2013 Bond held by the Government.

Section 25. 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 26. 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 27. Publication and Recordation. This Ordinance shall be published in full in the *Morning Sun*, a newspaper of general circulation in the Issuer, or other newspaper qualified under State law to publish the Issuer's 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 Supervisor and the Township Clerk.

Section 28. Authorizations. The Township Supervisor, the Township Manager and the Public Works Coordinator are each authorized to file with the Michigan Department of Treasury an application for approval to issue the Bonds, and pay the fee required, if any, and to request all applicable waivers relating to the Bonds. The Township Supervisor, the Township Manager, Treasurer and the Public Works Coordinator are each authorized and directed to execute and deliver all other agreements, documents and certificates and to take all other actions necessary to complete the issuance and delivery of the Series 2013 Bond in accordance with this Ordinance.

Section 29. Negotiated Sale. The Issuer determines to the sell the Series 2013 Bond to the Government at a negotiated sale in order to obtain terms not generally available from conventional municipal bond market sources and for the opportunities provided by a negotiated sale to the Government to select and adjust the terms of the Series 2013 Bond, including the prepayment of the principal of the Series 2013 Bond at any time without premium.

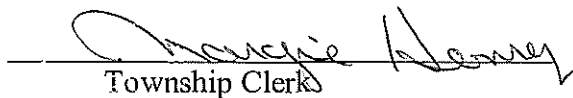
Section 30. Effective Date. This Ordinance is hereby determined by the Township Board to be immediately necessary for the preservation of the peace, health and safety of the Issuer and shall be in full force and effect from and after its passage and publication as required by law.

Passed and adopted by the Charter Township of Union, County of Isabella, State of Michigan, on July 10, 2013.


Supervisor

(Seal)

Attest:


Township Clerk

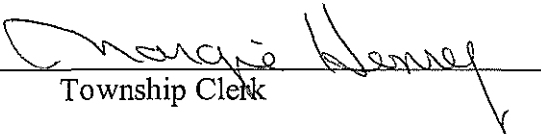
I hereby certify that the foregoing constitutes a true and complete copy of an Ordinance duly adopted by the Township Board of the Charter Township of Union, County of Isabella, State of Michigan, at a regular meeting held on the 10th day of July, 2013, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 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.

I further certify that the following Members were present at said meeting: Clerk Henry, Supervisor Alwood, Treasurer Stovak, Trustee Mikus, Trustee Lannen, Trustee Mielke, Trustee Hauck and that the following Members were absent: none .

I further certify that Member Stovak moved adoption of said Ordinance, and that said motion was supported by Member Lannen .

I further certify that the following Members voted for adoption of said Ordinance: Clerk Henry, Supervisor Alwood, Treasurer Stovak, Trustee Lannen, Trustee Mikus, Trustee Hauck, Trustee Mielke and that the following 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 signatures of the Supervisor and the Township Clerk.


Township Clerk

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