

**THE SALE OF REVENUE BONDS ORDINANCE  
TOWNSHIP OF FRANKENLUST, MICHIGAN  
ord. no. 71 eff.**

An Ordinance to provide for the issuance and sale of revenue bonds to pay the cost of the acquisition of water supply and sewage disposal system improvements for the Township of Frankenlust; 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 the interest on the bonds; to provide for the segregation and distributing of the revenues; to provide for the rights of the holders of the bonds in enforcement thereof; and to provide for other matters relating to the system and the bonds.

**THE TOWNSHIP OF FRANKENLUST, BAY COUNTY, MICHIGAN  
HEREBY ORDAINS:**

**Sec. 1. DEFINITIONS.**

Whenever used in this Ordinance, except when otherwise indicated by the context, the following terms shall have the following meanings:

- A) **“Act 94”** means Act 94, Public Acts of Michigan, 1933, as amended.
- B) **“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 Issuer in lieu of taxes, to which may be made the following adjustments.
  - 1) 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.
  - 2) Revenues may be augmented by amounts, which may be derived from rates and charges to be paid by new customers of the System. The adjustment of revenues and expenses by the factors set forth in (1) and (2) above shall be reported upon by professional

engineers or certified public accountants or other experts not in the regular employment of the Issuer.

C) **“Bonds”** means the Series 1998 Bonds, together with any additional Bonds of equal standing hereafter issued.

D) **“County Bonds”** means the County of Bay, Michigan Bay County Water Supply System (Frankenlust Township) Bonds, dated as of November 29, 1978 in the original principal amount of \$605,000 and the County of Bay, Michigan Bay County West Side Regional Sewage Disposal System (Frankenlust Extension No. 1) Bonds (Limited Tax General Obligation), dated as of May 10, 1982 in the original principal amount of \$650,000, which were issued to finance water and sewer improvements in the Township.

E) **“Issuer”** or **“Township”** means the Township of Frankenlust, County of Bay, State of Michigan.

F) **“Mandatory Redemption Requirements”** means the Mandatory prior redemption requirement for Bonds that are term Bonds, if any, as specified in any subsequent Ordinance or successful bid in connection with the issuance of additional bonds.

G) **“MMBA”** means the Michigan Municipal Bond Authority.

H) **“Project”** means the acquisition of water supply and sewage disposal improvements originally financed through the County Bonds.

I) **“Revenues”** and **“Net Revenues”** means 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.

J) **“Series 1998 Bonds”** mean the Water Supply and Sewage Disposal System revenue Bonds, Series 1998 in the principal amount of not to exceed \$1,000,000 authorized by this Ordinance.

K) **“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 to the paying agent.

L) **“System”** means the entire Water Supply and Sewage Disposal System of the Township, including such facilities thereof as shall be acquired by the Project, and all enlargements, extensions, repairs and improvements thereto hereafter made.

M) **“Transfer Agent”** shall mean the transfer agent and bond registrar for each series of Bonds as appointed from time to time by the Issuer as provided in Section 5 of this Ordinance and who or which shall carry out the duties and responsibilities as set forth in section 5 and 6 of this Ordinance.

## Sec. 2. **NECESSITY: APPROVAL OF PLAN.**

It is hereby determined to be a necessary public purpose of the Issuer to acquire the Project in accordance with the plan for refunding the County Bonds, which plan is hereby approved.

## Sec. 3. **COSTS: USEFUL LIFE.**

The total cost of the Project is estimated to be an amount not to exceed One Million Dollars (\$1,000,000) including the payment of incidental expenses as specified in Section 4 of this Ordinance, which estimate of cost is hereby approved and confirmed, and the period of usefulness of the Project is estimated to be not less than forty (40) years.

## Sec. 4. **PAYMENT OF COST: BONDS AUTHORIZED.**

To pay part of the cost of acquiring the Project, including payment of all legal, engineering, financial and other expenses incident thereto an incident to the issuance and sale of the Series 1998 Bonds, the Issuer shall borrow the sum of not to exceed One Million Dollars (\$1,000,000), as finally set forth in the Purchase Contract described below, and issue the Series 1998 Bonds therefor

pursuant to the provisions of Act 94. The remaining cost of the Project shall be defrayed from Issuer funds on hand and legally available for such use.

**Sec. 5. BOND DETAILS, REGISTRATION AND EXECUTION.**

The series 1998 Bonds hereby authorized shall be designated WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES 1998, shall be payable out of the Net Revenues, as set forth more fully in Section 7 hereof, shall consist of one (1) single fully-registered nonconvertible bond of the denomination of the principal amount of the Bonds as finally determined, and shall be payable in principal installments serially on May 1 of each year, as follows:

<u>Year</u>	<u>Amount</u>
1999	\$20,000
2000	25,000
2001	25,000
2002	30,000
2003	30,000
2004	30,000
2005	30,000
2006	35,000
2007	35,000
2008	35,000
2009	40,000
2010	40,000
2011	45,000
2012	45,000
2013	45,000
2014	50,000
2015	55,000
2016	55,000
2017	60,000
2018	60,000
2019	65,000
2020	70,000
2021	75,000

The Series 1998 Bonds shall bear interest at a rate or rates to be determined on the sale thereof, but in any event, except as provided below, not exceeding 8.0% per annum, payable on May 1 and November 1 of each year, commencing May 1, 1999. Final determination of the principal amount of the

Series 1998 Bonds, the principal amount of any maturity, and the payment dates of the principal and interest on the Series 1998 Bonds may be changed without further action by the Township Board to the dates and amounts specified on the Purchase Contract (the "Purchase Contract") between the Issuer and the MMBA providing for sale of the Bonds accepted and executed as provided in this Section.

So long as the Series 1998 Bonds are owned by MMBA, the Series 1998 Bonds shall bear additional interest as follows: In the event of a default in the payment of principal or interest on the Series 1998 Bonds 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 MMBA's cost of providing funds (as determined by MMBA) to make payment on the bonds of the MMBA issued to provide funds to purchase the Series 1998 Bonds 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 Issuer'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 the Series 1998 Bonds, fails to provide sufficient available funds (together with any other fund which may be made available for such purpose) to pay the interest on outstanding bonds of the MMBA issued to fund such account, the Issuer shall and hereby agrees to pay on demand only the Issuer's pro rata share (as determined by the MMBA) of such deficiency as additional interest on the Series 1998 Bonds.

The Series 1998 Bonds shall be issued in fully-registered form and shall not be convertible or exchangeable except as herein provided. So long as MMBA is the owner thereof, the Series 1998 Bonds is payable as to principal and interest at the principal corporate trust office of the bank or trust company designated in writing by MMBA, or such other place as shall be designated in writing to the Issuer by MMBA ("MMBA's Depository"), and the Issuer agrees that it will deposit with MMBA's Depository payments of principal, premium, if any, and interest on the Series 1998 Bonds in immediately available funds at least five (5) business days prior to the date on which any such payment is due, whether by maturity, redemption or otherwise. If the Series 1998 Bonds is transferred by MMBA, interest shall be paid by check or draft mailed by the transfer agent selected by the Township Treasurer to the person or entity who or which is, as of the 15th day of the month preceding the interest payment date, the registered owner at the registered address as shown on the registration books maintained by the transfer agent. The date of determination of registered owner for purposes of payment of interest as provided in this paragraph may be changed

by the Issuer to conform to market practice in the future. If MMBA transfers the Series 1998 Bonds, the principal of the Series 1998 Bonds shall be payable upon presentation and surrender of the Series 1998 Bonds at the bank or trust company designated by the Township Treasurer as registrar and transfer agent for this issue.

The Series 1998 Bonds shall be sold by negotiated sale to the MMBA pursuant to the Purchase Contract substantially in the form of Exhibit A attached hereto at not less than 95% of their pay value and at a net interest cost not to exceed 8.0% per annum. If MMBA transfers the Series 1998 Bonds, the principal of the Series 1998 Bonds, the principal of the Series 1998 Bonds shall be payable upon presentation and surrender of the Series 1998 Bonds at the bank or trust company designated by the Township Treasurer as registrar and transfer agent for this issue as set forth in Section 6.

The Series 1998 Bonds are subject to redemption prior to maturity and notice of redemption shall be given in the manner as provided in the form of the Series 1998 Bonds set forth in this Ordinance. The date of first redemption may be adjusted by the Issuer to a date that is not more than one year earlier or nine years later than the date provided in this Ordinance without further action by the Township Board and as evidenced by execution of the Series 1998 bonds by the Township Supervisor and Township Clerk.

The Township Supervisor, Township Treasurer and the Township Clerk, or any of them, each is hereby authorized to accept or reject the interest rates and purchase price offered by MMBA, subject to the limitations contained herein.

The form of Purchase Contract on file with the Township Clerk is hereby approved. The Township Supervisor, the Township Clerk and the Township Treasurer or any of them, are hereby authorized to make the necessary determinations as to the final terms of the Bonds within the parameters set forth in this Ordinance and execute and deliver the Purchase Contract in the form approved, with such changes and insertions in such documents as may be necessary or desirable, permitted by law and not materially adverse to the Issuer.

The Issuer pledges as additional security for the Series 1998 Bonds the taxes collected by the State of Michigan and returned to the Issuer under Act 140, Public Acts of Michigan, 1971, as amended, and hereby authorizes the Township Supervisor, Township Treasurer and the Township Clerk to enter into a Revenue Sharing Pledge Agreement with MMBA, authorizing the State Treasurer to transmit the revenue sharing moneys assigned and pledged thereon directly to MMBA or its designee if payments on the Series 1998 Bonds are not made in accordance with this Ordinance.

The form of Revenue Sharing Pledge Agreement between the Issuer and MMBA and on file with the Township Clerk is hereby approved. The Township Supervisor, Township Treasurer and the Township Clerk of the Issuer each is hereby authorized to execute and deliver the Revenue Sharing Pledge Agreement substantially in the form approved, with such changes and insertions

(including but not limited to final bond terms and sale detail) as may be necessary or desirable, permitted by law and not materially adverse to the Issuer.

The Series 1998 Bonds shall be signed by the manual or facsimile signature of the Township Supervisor and countersigned by the manual or facsimile signature of the Township Clerk and shall have the corporate seal of the Issuer impressed or printed thereon. The Series 1998 Bonds shall be delivered to MMBA in accordance with instructions from the Supervisor or any deputy upon payment of the purchase price for the Series 1998 Bonds in accordance with the Purchase Contract. A Series 1998 Bond executed with the manual signatures of the Township Supervisor and Township Clerk is effective upon execution delivery. A Series 1998 Bond executed with the facsimile signatures of the Township Supervisor and Township Clerk shall not be valid or obligatory for any purpose until the transfer agent's Certificate of Authentication has been executed. If MMBA transfers the Series 1998 Bonds, the Issuer shall cause replacement bonds to be printed, authenticated and delivered to the transferee thereof in accordance with instructions from the Township Clerk, and such bonds shall be executed with the facsimile or manual signatures of the Township Supervisor and the Township Clerk and the seal of the Issuer shall be impressed or imprinted thereon. Executed blank bonds for registration and issuance to transferees shall simultaneously, and from time to time thereafter as necessary, be delivered to the transfer agent for safekeeping.

## **Sec. 6. 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; and, upon presentation for such purpose, the Transfer Agent shall, under such reasonable regulations as it may prescribe, transfer or cause to be transferred, on said books, Bonds as hereinbefore provided.

If any Bond shall become mutilated, the Issuer, at the expense of the holder of the Bond, shall execute, and the Transfer Agent shall authenticate and deliver, a new Bond of like tenor in exchange and substitution for the mutilation 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 Transfer Agent and, if this evidence is satisfactory to both and indemnity satisfactory to the Transfer Agent shall be given, and if all requirements of any applicable law including Act 354, Public Acts of Michigan, 1972, as amended ("Act 354"), being section 129.131 to 129.135, inclusive, of the Michigan Compiled Laws have been met, the Issuer, at the expense of the owner, shall execute, and the Transfer Agent shall thereupon authenticate 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 Transfer Agent may pay the same without surrender thereof.

So long as the Series 1998 Bonds are held by MMBA, the Township Clerk shall perform the notification, bond registration and transfer functions of the Transfer Agent.

#### **Sec. 7. PAYMENT OF BONDS.**

The Series 1998 Bonds and the interest thereon shall be payable primarily from the Net Revenues, and to secure such payments, there is hereby created a statutory lien upon the whole of the New Revenues which shall be a first lien to continue until payment in full of the principal of the interest on all Bonds payable from the Net Revenues, or, until sufficient cash or Sufficient Government Obligations have been deposited intrust for payment in full of all Bonds of a series then outstanding, principal and interest on such Bonds 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 no longer be considered to be outstanding under this Ordinance.

#### **Sec. 8. 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 Issuer, 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 Issuer 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 Issuer 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 security therefor.

**Sec. 9. MANAGEMENT: FISCAL YEAR.**

The operation, repair and management of the System and the acquiring of the project shall be under the supervision and control of the Township Board and the Fiscal Year for the System shall commence on April 1 of each year and end on the last day of March of the following year. The Issuer 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 Township Board may make such rules and regulations as it deems advisable and necessary to assure the efficient management and operation of the System.

**Sec. 10. RATES AND CHARGES.**

The rates and charges for service furnished by the use of the System and the methods of collection and enforcement of the collection of the rates shall be those in effect on the date of adoption of this Ordinance.

**Sec. 11. NO FREE SERVICE OR USE.**

No free service or use of the System, or service or use of the System at less than the reasonable cost and value thereof, shall be furnished by the System to any person, firm or corporation, public or private, or to any public agency or instrumentality, including the Issuer.

**Sec. 12. FIXING AND REVISING RATES: RATE COVENANT.**

The rates presently in effect in the Township are estimated to be 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 the reserve therefor and to provide for all other obligations, expenditures and funds for the System required by law and this Ordinance. In addition, it is agreed that the rates shall be set from time to time so that there shall be produced each fiscal year, Net Revenues in an amount equal to 100% of the principal of and interest in the Bonds coming due in each fiscal year. The rates shall be reviewed not less than once a year and shall be fixed and revised from time to time as may be necessary to produce these amounts, and it is hereby covenanted and agreed to fix and maintain rates for services furnished by the System at all times sufficient to provide for the foregoing.

### **Sec. 13. FUNDS AND ACCOUNTS: FLOW OF FUNDS.**

Commencing as of October 1, 1998, 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 fund to be designated WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM RECEIVING FUND (the "Receiving Fund"). In addition, on October 1, 1998 all Revenues in any accounts of the System shall be transferred to the Receiving Fund and credited to the funds and accounts as provided in this section. 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 and at the times and in the order of priority hereinafter specified:

#### **A) OPERATION AND MAINTENANCE FUND:**

Out of the Revenues credited to the Receiving Fund there shall be first set aside in, or credited to, a fund designated OPERATION AND MAINTENANCE FUND (the "Operation and Maintenance Fund"), monthly a sum sufficient to provide for the payment of the next month's expenses of administration and operation of the System and such current expense for the maintenance thereof as may be necessary to preserve the same in good repair and working order.

A budget, showing in detail the estimated costs of administration, operation and maintenance of the System for the next ensuing operating year, shall be prepared by the Township Board at least 30 days prior to the commencement of each ensuing operating year. No payments shall be made to the Issuer from moneys credited to the Operation and Maintenance Fund except for services directly rendered to the System by the Issuer or its personnel.

#### **B) BOND AND INTEREST REDEMPTION FUND.**

There shall be established and maintained a separate depository fund designated 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 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 each month commencing October 1, 1998 in the Redemption Fund an amount equal to 1/7 of the interest coming due on the bonds on May 1, 1999, less any amount in the redemption fund representing accrued interest on the Bonds or investment

income on amounts on deposit in the Redemption Fund. Commencing May 1, 1999, the amount set aside each month for interest on the Bonds shall be 1/6 of the total amount of interest next coming due on the bonds. The amount set aside each month for principal, commencing October 1, 1998, shall be 1/7 of the amount of principal next coming due by maturity and the amount set aside each month for principal payment commencing May 1, 1999, shall be 1/12 of the amount of principal next coming due by maturity. If there is any deficiency in the amount previously set aside, that deficiency shall be added to the next succeeding monthly requirements. 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 is necessary to pay principal and interest due on the Bonds on the next succeeding principal payment date.

For purposes of making deposits to the Redemption Fund, the principal amount of bonds becoming due by reason of a Mandatory Redemption Requirement shall be deemed to become due in the principal amount and on the due date of the Mandatory Redemption Requirements. Each Ordinance authorizing the sale of additional Bonds shall state the amount of Bonds authorized which are term bonds, if any.

A Mandatory Redemption Requirement of the Bonds of a term maturity may be satisfied by the call of term Bonds of the same issue and maturity in the principal amount of the Mandatory Redemption Requirement at par and accrued interest or by the purchase and surrender to the transfer agent of the Bonds of the same issue and maturity from money allocated therefor as provided herein, or purchased with other funds legally available therefor. The issuer shall elect the manner in which it intends to satisfy a Mandatory Redemption Requirement not less than forty-five days prior to the due date of each Mandatory Redemption Requirement.

The money set aside to satisfy the next Mandatory Redemption Requirement for the Bonds shall be used by redeeming said Bonds on the following May 1st or by purchasing Bonds of the same issue and maturity and respect to which the Mandatory Redemption Requirement applies and surrendering the same to the paying agent for cancellation or on prior to the required due date of the Mandatory Redemption Requirement. In the event that after any Mandatory Redemption Requirement date moneys remain in the Redemption Fund, as a result of the purchase of Bonds at less than par, the amount of such excess may be transferred to the Receiving Fund. If no Bonds of an issue are issued as term Bonds then there shall be no Mandatory Redemption Requirement with respect to those Bonds.

**C) REPLACEMENT AND IMPROVEMENT FUND:**

There shall next be established and maintained a separate depository account, designated REPLACEMENT AND IMPROVEMENT FUND (the "Replacement Fund"), the money credited thereto to be used solely for the purpose of making repairs, replacements, improvements, enlargements or extensions to the System, including any buildings or structures related to said System. Out of the Revenues and moneys of the System remaining in the Receiving Fund and the end of each month after provision has been made for the deposit of moneys in the Operation and Maintenance Fund and the Redemption Fund, there may be deposited in the Replacement Fund such additional funds as the Township may deem advisable. If at any time it shall be necessary to use moneys in the Replacement Fund for the purpose for which the 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.

**D) GENERAL OBLIGATION DEBT FUND:**

Out of the remaining Revenues of the Receiving Fund, there may be next set aside in or credited to monthly after meeting the requirements of the foregoing funds, to a fund designated General Obligation Debt Fund (the "G.O. Fund"), or from other available moneys such sums as shall be necessary to pay debt service on presently existing or future general obligation bond issues of the Township or general obligation or contractual obligations of the Township incurred or to be incurred for System purposes.

**E) SURPLUS MONEYS:**

All moneys remaining in the Receiving Fund after satisfying all the foregoing requirements of this Section 13, may, at the option of the Township Board, be used for any of the following purposes:

- (1) Transferred to the Replacement Fund or the G.O. Debt 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 for the redemption of Bonds prior to maturity.
- (3) Any other use permitted by law.

**Sec. 14. 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 to the Redemption Fund.

#### **Sec. 15. DEPOSITARY AND FUNDS ON HAND.**

Moneys in the several funds and the accounts established pursuant to this Ordinance, except moneys in the Redemption Fund and moneys derived from the proceeds of sale of the Bonds, may be kept in one or more bank accounts at a bank or banks designated by resolution of the Township Board, and if kept in one bank account the moneys shall be allocated on the books and records of the Issuer in the manner and at the times provided in this Ordinance.

#### **Sec. 16. 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 Issuer in United States of America and any other investments permitted by law, and moneys derived from the proceeds of sale of the Bonds may also be invested in certificates of deposit of any bank whose deposits are insured by the Federal Deposit Insurance Corporation and which (I) has unsecured, uninsured and unguaranteed outstanding obligations rated A2 or better by Moody's Investors service or A or better by Standard & Poor's Corporation or (II) is the lead bank of a holding company which has outstanding obligations rated as set forth in clause (I) above. 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 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. Profit realized or interest income earned on investment of funds in the Receiving Fund, Operation and Maintenance Fund and Improvement Fund shall be deposited in or credited to the Receiving Fund at the end of each fiscal year. Profit realized on interest income earned on investment of moneys in the Redemption Fund shall be credited to the Receiving Fund at the end of each fiscal year.

#### **Sec. 17. BOND PROCEEDS.**

From the proceeds of the sale of the Bonds shall be immediately deposited in the Redemption Fund an amount equal to the accrued interest and premium, if any received on the delivery of the Bonds. The remainder of the proceeds of the sale of the Bonds representing the costs of the Project shall be deposited in a bank or

banks, designated by the Township Board, qualified to act as depository of the proceeds of sale under the provisions of Section 15 of Act 94, in an account designated PROJECT FUND (the "Project Fund"). Moneys in the Project Fund shall be applied solely in payment of the cost of the acquisition of the Project, including any engineering, legal and other expenses incident thereto and to the financing thereof. Any unexpended balance of the proceeds of sale of the Bonds remaining after completion of the Project in the Project Fund shall be deposited to the Redemption Fund to be used to pay interest on the next payment date.

#### Sec. 18. **BOND FORM.**

The Bonds shall be in substantially the following form, subject to such corrections or modifications, which may be required by the MMBA and approved by bond counsel.

#### Sec. 19. **COVENANTS.**

The Issuer covenants and agrees with the holders of the Bonds that so long as any of the Bonds remain outstanding and unpaid as to either principal or interest:

- a) The Issuer 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 this Ordinance.
- b) The Issuer will keep proper books of record and account separate from all other records and accounts of the Issuer, in which shall be made full and correct entries of all transactions relating to the System. The Issuer shall have an annual audit of the books of record and account of the System for the preceding operating year made each year by an independent certified public accountant, and a copy of the audit shall be mailed to the manager of each syndicate or account originally purchasing any issue of the Bonds. The auditor shall comment on the manner in which the Issuer is complying with the requirements of the Ordinance with respect to setting aside and investing moneys and meeting the requirements for acquiring and maintaining insurance. The audit shall be completed and so made available not later than six (6) months after the close of each operating year.
- c) The Issuer 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 Water Supply and Sewage

Disposal Systems, including self-insurance. 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 of the purpose of redeeming or purchasing Bonds.

d) The Issuer will not sell, lease or dispose of the system, or any substantial part, until all of the Bonds have been paid in full, both as to principal and interest or provision made thereof as herein provided. The Issuer will operate the System as economically as possible, will make all repairs and replacements necessary to keep the System in good repair and working order, and will not do or suffer to be done any act which would affect the System in such a way as to have a material adverse effect on the security for the Bonds.

e) The Issuer will not grant any franchise or other rights to any person, firm or corporation to operate a system that will compete with the System and the Issuer will not operate a system that will compete with the System.

f) The Issuer will cause the Project to be acquired and renovated promptly and in accordance with the plans and specification therefor.

## Sec. 20. **ADDITIONAL BONDS.**

Except as hereinafter provided, the Issuer shall not issue Additional Bonds of equal or prior standing with the series 1998 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 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 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 Issuer, it shall be the duty of the Issuer to provide for the issue additional revenue 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 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 a Bond Reserve Account. Bonds for such purposes shall not be issued pursuant to this subparagraph (b) 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 (b) the Issuer 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 Issuer 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 Issuer 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 a Reserve Account. 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.

**Sec. 21. REDEMPTION OF COUNTY BONDS: OTHER ACTIONS AUTHORIZED.**



The Township Supervisor, Township Clerk and Township Treasurer each is authorized and directed to take all necessary actions necessary to accomplish the redemption of the County Bonds, to submit an application to MMBA, and to take all other actions necessary or advisable, and to make such other filings with the Michigan Department of Treasury or with other parties, to enable the sale and delivery of the Bonds as contemplated herein.

**Sec. 22. TAX MATTERS.**

The Issuer shall, to the extent permitted by law, take all actions within its control necessary to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), including, but not limited to, actions relating to any required rebate of arbitrage earnings and the expenditures and investment of Bond proceeds and moneys deemed to be Bond proceeds. In addition, the Issuer hereby designates the Bonds as "qualified tax exempt obligations" for purposes of deduction of interest expense by financial institutions.

**Sec. 23. SEVERABILITY: PARAGRAPH HEADINGS: AND CONFLICT.**

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.

**Sec. 24. PUBLICATION AND RECORDATION.**

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

**Sec. 25. EFFECTIVE DATE.**

Pursuant to the provisions of Section 6 of Act 94, this Ordinance shall be approved on the date of first reading and accordingly this Ordinance shall immediately be effective upon its adoption.

*(Adopted Aug. 11, 1998)*

**ORDINANCE NO. 71A**

AN ORDINANCE TO AUTHORIZE AND PROVIDE FOR THE ISSUANCE OF A

REVENUE REFUNDING BOND TO PAY THE COST OF REFUNDING THE WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BOND, SERIES 1998 UNDER THE PROVISIONS OF ACT 94, PUBLIC ACTS OF MICHIGAN, 1933, AS AMENDED; TO PRESCRIBE THE FORM OF THE BOND; AND TO PROVIDE FOR OTHER MATTERS RELATIVE THERETO.

WHEREAS, the Township of Frankenlust, County of Bay, State of Michigan (the "Township") has previously issued its \$870,000 Water Supply and Sewage Disposal System Revenue Bond, Series 1998 dated February 9, 1999 (the "Series 1998 Bond") under the provisions of Act 94, Public Acts of Michigan, 1933, as amended, and Ordinance No. 71 enacted by the Township Board on August 11, 1998; and

WHEREAS, the Series 1998 Bond is payable solely and only from and secured by the Net Revenues of the Water Supply and Sewage Disposal System of the Township under Ordinance No. 71; and

WHEREAS, the Township may be able to accomplish a net savings of debt service costs by refunding the Series 1998 Bond through issuance of a revenue refunding bond; and

WHEREAS, the Michigan Finance Authority has offered to purchase a Water Supply and Sewage Disposal System Revenue Refunding Bond, Series 2012 (the "Series 2012 Bond") from the Township; and

WHEREAS, Section 20(c) of Ordinance No. 71 authorizes the issuance of Additional Bonds for the purpose of refunding a part of the Outstanding Bonds and paying costs of issuing such Additional Bonds, if 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; and

WHEREAS, in order to take advantage of the most favorable market for sale of the proposed Series 2012 Bond, Township Board wishes to authorize the Supervisor and Treasurer to sell the Series 2012 Bond at negotiated sale without further action of the Township Board.

## **THE TOWNSHIP OF FRANKENLUST ORDAINS:**

### **Sec. 1. Definitions.**

All terms not defined herein shall have the meanings set forth in Ordinance No. 71, and whenever used in this Ordinance, except when otherwise indicated by the context, the following terms shall have the following meanings:

- (a) "Act 94" means Act 94, Public Acts of Michigan, 1933, as amended.

(b) "Additional Bonds" shall mean Bonds, including Bonds of prior and senior or equal standing and priority of lien with the Series 2012 Bond, issued under Section 20 of Ordinance No. 71.

(c) "Authorized Officer" means the Supervisor or Treasurer of the Township or, in the event that the Supervisor or Treasurer is not available at the time that it becomes necessary to take actions directed or authorized under this Ordinance, a person designated by the Supervisor or Treasurer.

(d) "Bonds" means the Series 1998 Bond, the Series 2012 Bond, and any Additional Bonds of equal or prior standing hereafter issued under Ordinance No. 71.

(e) "Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations propounded thereunder.

(f) "Michigan Finance Authority" shall refer to the Michigan Finance Authority as successor under Executive Order No. 2010-2 to the Michigan Municipal Bond Authority created under Act 227 Public Acts of Michigan, 1985, as amended.

(g) "Ordinance No. 71" refers to Ordinance No. 71 enacted by the Township Board on August 11, 1998 authorizing the issuance of the Bonds.

(h) "Purchase Contract" means the Purchase Contract for the Series 2012 Bond between the Township and the Michigan Finance Authority.

(i) "Redemption Fund" means the Bond and Interest Redemption Fund created under Ordinance No. 71.

(j) "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 Ordinance No. 71.

(k) "Savings Agreement" means a Savings Agreement between the Township and the Michigan Finance Authority authorized under this Ordinance.

(l) "Series 1998 Bond" means the Water Supply and Sewage Disposal System Revenue Bond, Series 1998, authorized by Ordinance No. 71.

(m) "Series 1998 Escrow Fund" means the escrow fund established to hold the cash and investments necessary provide for payment of principal of and interest on the portion of the Series 1998 Bond being refunded.

(n) "Series 2012 Bond" means the Water Supply and Sewage Disposal System Revenue Refunding Bond, Series 2012, authorized by Ordinance No. 71 and this Ordinance.

(o) "State Revenue Sharing Pledge Agreement" means the revenue sharing pledge agreement between the Township and the Michigan Finance Authority authorized under this Ordinance.

(p) "System" means the entire Water Supply and Sewage Disposal System of the Township including the facilities acquired and constructed with the proceeds of the Series 1998 Bond, and such other facilities as are now existing including all appurtenances, enlargements, extensions, repairs and improvements thereto hereafter made.

#### **Sec. 2. Conditions Permitting Issuance of Additional Bonds.**

Pursuant to Section 20(c) of Ordinance No. 71, the Township Board hereby determines that the Series 2012 Bond shall be issued as an Additional Bond for the purpose of refunding all or a portion of the Series 1998 Bond and paying costs of issuance of the Series 2012 Bond, only if, after giving effect to the refunding, 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.

#### **Sec. 3. Refunding of Series 1998 Bond; Series 2012 Bond Authorized; Applicable Law.**

If refunding all or a portion of the Series 1998 Bond will accomplish a net savings of debt service costs, then in order to pay costs of refunding the Series 1998 Bond, including the payment of the costs of legal, financial, bond insurance (if any), purchaser's discount, and other expenses incident thereto and incident to the issuance and sale of the Series 2012 Bond, the Township shall borrow the sum of not-to-exceed Five Hundred Thousand Dollars (\$500,000) and issue the Series 2012 Bond therefor. The Series 2012 Bond shall be payable solely out of the Net Revenues of the System. The principal amount of the Series 2012 Bond will be finally determined by an Authorized Officer in the Purchase Contract.

The Series 2012 Bond shall be sold and the proceeds applied in accordance with the provisions of Act 94.

#### **Sec. 4. Series 2012 Bond Details, Registration and Execution.**

The Series 2012 Bond shall be designated as the WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE REFUNDING BOND, SERIES 2012, shall be payable solely out of the Net Revenues and other moneys pledged under Ordinance No. 71 and this Ordinance, and shall not be a general obligation of the Township. An Authorized Officer may change the series designation in the designated name of the Series 2012 Bond to differentiate the Series 2012 Bond from other series of bonds authorized by the Township or, if the Series 2012 Bond is sold or delivered after December 31, 2012, to reflect the year of sale or delivery.

The Series 2012 Bond hereby authorized shall initially consist of one fully registered bond. The Series 2012 Bond shall be issued in the aggregate principal amount of not to exceed Five Hundred Thousand Dollars (\$500,000) as shall be finally determined by the Authorized Officer at the time of sale of the Series 2012 Bond. The Series 2012 Bond shall be dated as of the date of original delivery thereof; shall bear interest at a rate or rates to be determined upon the sale thereof, payable semiannually on May 1 and November 1 of each year commencing November 1, 2012 or such other date as shall be determined by the Authorized Officer at the time of sale. In addition, if required by the Michigan Finance Authority, the Series 2012 Bond will bear additional interest, under the terms required by Michigan Finance Authority, in the event of a default by the Township in the payment of principal or interest on the Series 2012 Bond when due. The Series 2012 Bond shall be payable in the amounts and on the dates as shall be determined by the Authorized Officer at the time of sale, provided that the final principal payment shall not be later than November 1, 2021. The Series 2012 Bond shall be subject to redemption prior to maturity, if at all, as shall be determined by the Authorized Officer at the time of sale. The Series 2012 Bond shall be payable in the manner provided in the Series 2012 Bond as executed. The Series 2012 Bond may be transferred by the holder thereof as provided in the Series 2012 Bond as executed.

The Series 2012 Bond shall be executed in the name of the Township by the manual or facsimile signature of the Supervisor and the Township Clerk provided that at least one signature on the Bond shall be a manual signature. The Series 2012 Bond shall have the corporate seal of the Township impressed or printed thereon. The Series 2012 Bond shall be delivered to the initial purchaser thereof in accordance with instructions from the Authorized Officer upon payment of the purchase price for the Series 2012 Bond in accordance with the bid therefor when accepted.

**Sec. 5. Sale of Series 2012 Bond; Purchase Contract.**

The Township hereby determines that a negotiated sale of the Series 2012 Bond to the Michigan Finance Authority may result in the most efficient and expedient means of selling the Series 2012 Bond and result in the lowest interest cost to the Township.

If an Authorized Officer determines that a negotiated sale of the Series 2012 Bond to a purchaser other than the Michigan Finance Authority will achieve the most advantageous interest rates and cost to the Township, then the Authorized Officer is authorized to negotiate the sale of the Series 2012 Bond to another purchaser in lieu of sale to the Michigan Finance Authority and to execute and deliver such documents as may be necessary or convenient to complete the sale, issuance and delivery of the Series 2012 Bond.

If refunding all or a portion of the Series 1998 Bond will produce net present value savings to the Township of at least 3.00% after payment of costs of issuance, then the Authorized Officer is hereby authorized to accept an offer from the Michigan Finance Authority or another purchaser to purchase the Series 2012 Bond. The Series 2012 Bond shall be sold at a price of not less than 95% of its par value and at a net interest cost not-to-exceed 6.00%. This authorization includes, but is not limited to, determination of original principal amount of the Series 2012 Bond; the price at which the Series 2012 Bond is sold; the date of the Series 2012 Bond; the schedule of principal maturities; provisions for early redemption, if any; the interest rates and principal and interest payment dates of the Series 2012 Bond; and application of the proceeds of the Series 2012 Bond. Approval of the matters delegated to the Authorized Officer under this Ordinance may be evidenced by his execution of the Purchase Contract.

The Township Board hereby approves and authorizes the execution and delivery of the Purchase Contract between the Township and the Michigan Finance Authority by the Authorized Officer in substantially the form presented to the Township Board with this Ordinance, with such changes as may be necessary or desirable, permitted by law, and not materially adverse to the Township as determined by the Authorized Officer.

**Sec. 6. State Revenue Sharing Pledge.**

As additional security for repayment of the Series 2012 Bond, the Township Board agrees to pledge the payments that the Township 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 Finance Authority as purchaser and holder of the Series 2012 Bond, and the Township Board hereby approves and authorizes the execution and delivery of a revenue sharing pledge agreement between the Township and the Michigan Finance Authority in substantially the form presented to the Township Board with this Ordinance, with such changes as may be necessary or desirable, permitted by law, and not materially adverse to the Township as determined by the Authorized Officer.

**Sec. 7. Savings Agreement.**

In the event that the Michigan Finance Authority offers to execute a savings agreement with the Township for the Series 1998 Bond as an alternative to issuing the Series 2012 Bond, and thereby accomplish a net savings of debt service costs, then the Township Board hereby approves and authorizes the execution and delivery of a savings agreement between the Township and the Michigan Finance Authority in substantially the form presented to the Township Board with this Ordinance, with such changes as may be necessary or desirable, permitted by law, and not materially adverse to the Township as determined by the Authorized Officer.

**Sec. 8. Proceeds of Series 2012 Bond.**

The Authorized Officer shall provide for deposit from the proceeds of sale of the Series 2012 Bond, and other moneys as necessary, to the Series 1998 Escrow Fund or another escrow fund established by the Michigan Finance Authority, an amount which, together with investment proceeds to be received thereon, will be sufficient, without reinvestment, to pay the principal of and interest on the portion of the Series 1998 Bond being refunded upon call for redemption.

The Authorized Officer is hereby authorized to execute and deliver an Escrow Agreement to provide for administration of the Series 1998 Escrow Fund, to transfer any moneys as he may deem necessary from the Redemption Fund to the Series 1998 Escrow Fund, and to purchase, or cause to be purchased, escrow securities, including, but not limited to, United States Treasury Obligations – State and Local Government Series (SLGS), for deposit in the Series 1998 Escrow Fund.

The remaining proceeds of the Series 2012 Bond shall be deposited in a costs of issuance fund to pay costs of issuance of the Series 2012 Bond and the costs of refunding the Series 1998 Bond. Any moneys remaining after payment of costs of issuance and costs of refunding shall be transferred to the Redemption Fund and used to pay interest on the Series 2012 Bond.

**Sec. 9. Tax Covenant.**

The Township covenants and agrees with the holders of the Series 2012 Bond that as long as the Series 2012 Bond remains Outstanding and unpaid as to either principal or interest the Township shall not invest, reinvest or accumulate any moneys deemed to be proceeds of the Series 2012 Bond pursuant to the Internal Revenue Code in such a manner as to cause the Series 2012 Bond to be an “arbitrage bond” within the meaning of the Internal Revenue Code. The Township 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 exclusion of interest on the Series 2012 Bond 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 Authorized Officer at the time of delivery of the Series 2012 Bond.

**Sec. 10. Conditions Permitting Issuance of Senior or Prior Lien Bonds.**

Since the Township has secured payment of the Series 2012 Bond through the State Revenue Sharing Pledge made to the Michigan Finance Authority under this Ordinance, the Township reserves the right to issue Additional Bonds of senior or prior standing and priority of lien on the Net Revenues of the System to

the Series 2012 Bond (the “Senior Lien Bonds”) but only if the Township does not pledge State Revenue Sharing for payment of said Senior Lien Bonds. If Senior Lien Bonds are issued, then Net Revenues of the System would be used first to pay debt service on the Senior Lien Bonds prior to providing for payment of the Series 2012 Bond.

Sec. 11. **Series 2012 Bond Form.**

The Series 2012 Bond 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 2012 Bond established upon sale thereof:



No. R-\_\_

UNITED STATES OF AMERICA  
STATE OF MICHIGAN  
COUNTY OF BAY

TOWNSHIP OF FRANKENLUST  
WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE REFUNDING  
BOND, SERIES 2012

Principal Amount: [insert amount]

Date of Original Issue: [insert date]

Registered Owner: Michigan Finance Authority (the "MFA")

"Installments of Principal" "Payment Dates" and "Interest Rate" shall have the meanings as described in Exhibit A.

THE TOWNSHIP OF FRANKENLUST, County of Bay, State of Michigan (the "Township"), for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, but only out of the hereinafter described Net Revenues of the Township's Water Supply and Sewage Disposal System (defined below), the Principal Amount specified above, in lawful money of the United States of America, on the November 1 Payment Dates shown on Exhibit A unless prepaid prior thereto as hereinafter provided, in the Installments of Principal shown on Exhibit A. The Township also promises to pay to the Registered Owner specified above, or registered assigns, interest on the unpaid Installments of Principal from the Date of Original Issue specified above, or such later date to which interest has been paid, until paid, at the per annum Interest Rate for each Installment of Principal shown on Exhibit A, payable on the Payment Dates. For the prompt payment of principal and interest on this Bond, the Township has irrevocably pledged the revenues of the Township's Water Supply and Sewage Disposal System, including all appurtenances, extensions and improvements thereto (the "Water Supply and Sewage Disposal System"), after provision has been made for reasonable and necessary expenses of operation, maintenance and administration (the "Net Revenues"), and a statutory first lien thereon is hereby recognized and created subject to the issuance of additional bonds of prior and senior standing and priority of lien to this Bond on the conditions stated in the Ordinances as described below.

Notwithstanding any other provision of this Bond, so long as the Michigan Finance Authority (the "MFA") is the owner of this Bond, (a) this Bond is payable as to principal, premium, if any, and interest at the corporate trust office of U. S. Bank National Association, St. Paul, MN or at such other place as shall be designated in writing to the Township by the MFA (the "MFA's Depository"); (b) the Township agrees that it will deposit with the MFA'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 Township and received by the MFA'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 MFA's cost of providing funds (as determined by the MFA) to make payment on the bonds of the MFA 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 MFA has been fully reimbursed for all costs incurred by the MFA (as determined by the MFA) as a consequence of the Township's default. Such additional interest shall be payable on the interest payment date following demand of the MFA. In the event that (for reasons other than the default in the payment of any municipal obligation purchased by the MFA) the investment of amounts in the reserve account established by the MFA for the bonds of the MFA 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 MFA issued to fund such account, the Township shall and hereby agrees to pay on demand only the Township's pro rata share (as determined by the MFA) of such deficiency as additional interest on this Bond.

[Insert redemption provisions if applicable].

This Bond is transferable only upon the books of the Township kept for that purpose at the office of the Township 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 Township duly authorized in writing and thereupon a new registered Bond or bonds in the same outstanding principal amount and of the same maturity shall be issued to the transferee in exchange therefor as provided in the Ordinances, and upon the payment of the charges, if any, therein prescribed.

This Bond is a single fully registered bond representing the entire series of bonds aggregating the principal sum of [insert amount] issued pursuant to Ordinance No. 71 and Ordinance No. [insert number] (together, the "Ordinances") duly enacted by the Township Board of the Township, 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 refunding a bond previously issued to acquire and construct improvements and extensions to the Township's Water Supply and Sewage Disposal 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 or prior 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 Ordinances. The Ordinances are on file at the office of the Township Clerk and reference is made to the Ordinances 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.

THIS BOND IS A SELF-LIQUIDATING BOND AND IS NOT A GENERAL OBLIGATION OF THE TOWNSHIP AND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE TOWNSHIP WITHIN ANY CONSTITUTIONAL OR STATUTORY LIMITATION, AND IS PAYABLE BOTH AS TO PRINCIPAL AND INTEREST SOLELY FROM THE NET REVENUES OF THE WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM AND CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE ORDINANCES. THE PRINCIPAL OF AND INTEREST ON THIS BOND ARE SECURED BY THE STATUTORY LIEN HEREINBEFORE DESCRIBED.

The Township has reserved the right, on the conditions stated in the Ordinances, to issue additional bonds of prior and senior or equal standing and priority of lien with this Bond as to the Net Revenues.

The Township hereby covenants and agrees to fix and maintain at all times while any bonds authorized by the Ordinances shall be outstanding, such rates for service furnished by the Water Supply and Sewage Disposal 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 and Sewage Disposal 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 and Sewage Disposal 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 and Sewage Disposal System as are required by the Ordinances.

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 Township, have been done, exist and have happened in regular and due form and time as provided by law.

IN WITNESS WHEREOF, the Township, by its Board, has caused this Bond to be executed by [the facsimile signatures of] its Supervisor and its Township Clerk, and its seal to be hereunto [impressed] [printed], all as of the Date of Original Issue.

TOWNSHIP OF FRANKENLUST

(Seal)

By [Supervisor to sign bond]  
Supervisor

Countersigned:

[manual or facsimile signature]  
By [Township Clerk to sign bond]  
Township Clerk

Sec. 12. **Bond Counsel.**

The Township hereby requests that Miller, Canfield, Paddock and Stone, P.L.C. continue to serve the Township as Bond Counsel for the Series 2012 Bond, notwithstanding the representation by Miller Canfield of the Michigan Finance Authority in connection with the Local Government Loan Program through which the Michigan Finance Authority may offer to purchase the Series 2012 Bond, or the potential concurrent representation by Miller Canfield of the underwriter of the Local Government Loan Program bonds in matters not related to the Series 2012 Bond.

Sec. 13. **Other Actions.**

In the event that the Supervisor or Treasurer are not available at the time that it becomes necessary to take actions directed or authorized under this Ordinance, a person designated by the Supervisor or the Treasurer is authorized to take the actions delegated to the Authorized Officer under this Ordinance. The officers, administrators, agents and attorneys of the Township are authorized and directed to take all other actions necessary and convenient to facilitate issuance, sale and delivery of the Series 2012 Bond, and to execute and deliver all other agreements, documents and certificates and to take all other actions necessary or convenient in accordance with this Ordinance, and to pay costs necessary to accomplish sale and delivery of the Series 2012 Bond and the refunding of the Series 1998 Bond.

Sec. 14. **Applicability of Ordinance No. 71.**

Except to the extent supplemented or otherwise provided in this Ordinance, all of the provisions and covenants provided in the Ordinance No. 71 shall apply to the Series 2012 Bond, such provisions of Ordinance No. 71 being made applicable to the Series 2012 Bond.

Sec. 15. **Repeal of Prior Ordinances.**

All ordinances, resolutions or orders, or parts thereof, in conflict with the provisions of this Ordinance are repealed.

Sec. 16. **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.

Sec. 17. **Publication and Recordation.**

In accordance with the provisions of Section 6 of Act 94, this Ordinance shall be published once in full in the *Bay City Democrat*, a newspaper of general

circulation in the Township qualified under State of Michigan law to publish legal notices, promptly after its adoption, and shall be recorded in the Ordinance Book of the Township and such recording authenticated by the signatures of the Supervisor and the Township Clerk.

Sec. 18. **Effective Date.**

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