

VILLAGE OF MILLINGTON

At a Special meeting of the Village Council of the Village of Millington, Tuscola County, Michigan, held in the Village on August 26, 2002 at 7:10 p.m., Eastern Daylight Savings Time, there were

PRESENT: Beck, Coleman, Dean, C. Fackler, S. Fackler,
Ward, Reinert

ABSENT: None

The following Ordinance was offered by Ward and supported by Beck.

2002 BOND ORDINANCE
2002 Water Revenue Bond

WHEREAS, the Village of Millington (the "Village") has determined that it is in the best interest of the Village that the Village's Water System be expanded as described in Appendix A attached hereto (the "Project"); and

WHEREAS, the Village has been furnished with an estimate of the cost and period of usefulness of the Project prepared by Shellenbarger Engineering and Surveying, P.C. registered professional engineers of East Lansing, Michigan, which indicates an estimated total cost of not to exceed \$1,260,000 of which \$1,150,000 will come from bond proceeds and a period of usefulness thereof of not less than 40 years; and

WHEREAS, in order to finance part of the estimated project costs, the Village has determined it to be necessary and advisable to borrow money and issue a revenue bond of the Village pursuant to the authorization provided in Act No. 94, Public Acts of Michigan, 1933, as amended (the "Act"); and

WHEREAS, this Ordinance is subject to the provisions of Ordinance No. 53 under which the Village authorized the issuance of not to exceed \$385,000 of its Revenue Refunding Bonds, Series 1988 dated as of June 1, 1988 of which \$160,000 remains outstanding on the date hereof.

NOW, THEREFORE BE IT ORDAINED BY THE VILLAGE COUNCIL OF THE VILLAGE OF MILLINGTON, TUSCOLA COUNTY, MICHIGAN, as follows:

ARTICLE I
PROJECT

Section 101. Construction of the Project. The Council of the Village of Millington (the "Village") hereby determines to

undertake the Project and particularly Project as more fully described on Appendix A hereto. The Project shall be constructed in accordance with plans and specifications to be approved by the Council.

Section 102. Approval of Estimates. The Village approves the estimated costs for the Project, in the amount of not to exceed \$1,260,000; and the estimated useful life for the Project of not less than 40 years.

ARTICLE II BOND DETAILS

Section 201. Authorization and Maturity. There are hereby authorized to be issued and sold pursuant to the provisions of the Act a revenue bond in the aggregate principal amount of up to One Million One Hundred and Fifty Thousand Dollars (\$1,150,000) for the purpose of defraying a portion of the costs of the Project. The Bond shall be known as "Village of Millington 2002 Water Revenue Bond" (hereinafter referred to as the "Bond"), shall be issued in substantially the form as in APPENDIX B, and shall be dated August 1, 2002 or such later date not more than twelve months thereafter as the Village President shall determine. The Bond shall be a fully registered bond, both as to principal and interest, in a single denomination of not to exceed \$1,150,000. At the option of the Village President, the Bond may be dated as of the first day of the month as delivered to the Purchaser which delivery shall be in accordance with the provisions set forth in APPENDIX C without reference to any year. The Bond shall provide for additions to the principal amount on various dates. The Bond shall mature on the first day of September in each year as set forth in the attached EXHIBIT A.

Section 202. Interest Payment and Date of Record. The Bond shall bear interest payable March 1, 2003, and each September 1, and March 1 thereafter, until maturity, which interest shall not exceed 4.75% per annum. Interest shall be paid by check mailed by first class mail to the registered owner of the Bond as of the applicable date of record. If interest is paid differently, the Bond form attached as APPENDIX B shall be changed accordingly.

The date of record for each interest payment shall be the 15th day of the calendar month preceding the date such payment is due.

Section 203. Prior Redemption. The Bond shall be subject to redemption prior to maturity at the option of the Village, in inverse order, on any interest payment date. Said Bond called for redemption shall be redeemed at par, plus accrued interest to the date fixed for redemption.

With respect to partial redemption's, any portion of the Bond outstanding in a denomination larger than the minimum authorized denomination may be redeemed provided such portion and the amount not being redeemed each constitutes an authorized

denomination. In the event that less than the entire principal amount of the Bond is called for redemption, upon surrender of the Bond to the Bond Registrar, the Bond Registrar shall authenticate and deliver to the registered owner of the Bond a new bond in the principal amount of the principal portion not redeemed.

Notice of redemption shall be sent to the registered holder of the Bond being redeemed by first class mail at least thirty (30) days prior to the date fixed for redemption, which notice shall fix the date of record with respect to the redemption, if different than otherwise provided in the resolution authorizing the issuance of the Bond. Any defect in such notice shall not affect the validity of the redemption proceedings. The bond so called for redemption shall not bear interest after the date fixed for redemption provided funds are on hand with the Bond Registrar to redeem the same.

Section 204. Bond Registrar and Paying Agent. The Village President or Village Clerk (the "President or Clerk") shall designate, and may enter into an agreement with, a bond registrar and paying agent for the Bond (sometimes referred to as the "Bond Registrar") which shall be a bank or trust company located in the State of Michigan which is qualified to act in such capacity under the laws of the United States of America or the State of Michigan. The President or Clerk from time to time as required may designate a similarly qualified successor bond registrar and paying agent. If so designated, the Bond shall be deposited with a depository trustee designated by the President or Clerk who shall transfer ownership of interests in the Bond by book entry and who shall issue depository trust receipts or acknowledgments to owners of interests in the Bond. Such book entry depository trust arrangement, and the form of depository trust receipts or acknowledgments, shall be as determined by the President or Clerk after consultation with the depository trustee. The depository trustee may be the same as the Bond Registrar otherwise named by the President or Clerk, and the Bond may be transferred in part by depository trust and in part by transfer of physical certificates as the President or Clerk may determine.

Section 205. Transfer or Exchange of Bonds. Any bond may be transferred upon the books required to be kept by the Bond Registrar pursuant to this Section, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such bond for transfer, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Bond Registrar. Whenever any bond shall be surrendered for transfer, the Bond Registrar shall record such transfer on the registration books and shall register such transfer on the registration grid attached to the Bond. At the time of such transfer, the Bond Registrar shall note on the Bond the outstanding principal amount thereof at the time of such transfer. The Bond Registrar 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 Village shall not be required to (i) to issue, register the transfer of, or exchange any bond during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice of prepayment of the bond or installments thereof selected for redemption under Section 3 of this Resolution and ending at the close of business on the day of that mailing, or (ii) to register the transfer of or exchange any bond or portion thereof so selected for prepayment. In the event any Bond is called for prepayment in part, the Bond Registrar, upon surrender of the Bond, shall note on the Bond the principal amount prepaid and shall return the Bond to the registered owner thereof together with the prepayment amount on the prepayment date.

Section 206. Bond Sale. The Bond shall be sold to the United States of America Department of Agriculture Rural Development.

Section 207. Reduction in Aggregate Amount of Bond. In the event the amount necessary for constructing or equipping the Project shall be less than the estimate which will reduce the principal amount of the Bond in accordance with United States of America instructions and the principal amount of the Bond shall be reduced to the extent required to avoid the issuance of a Bond in an amount more than will be required to meet United States of America requirements.

Section 208. Execution and Delivery. The Village President and the Clerk of the Village are authorized and directed to execute the Bond for and on behalf of the Village by manually executing the same or by causing facsimile signatures of its President and Clerk to be affixed, provided in the latter instance the Bond is thereafter authenticated by the Bond Registrar. The Bond shall be sealed with the seal of the Village or a facsimile of the its seal. Upon the execution of the Bond, it shall be delivered to the Village Treasurer, who is authorized and directed to deliver the Bond to the United States Government.

Section 209. Mutilated, Lost, Stolen or Destroyed Bonds. In the event any bond is mutilated, lost, stolen or destroyed, the Village President and the Clerk of the Village may, on behalf of the Village, execute and deliver, or order Bond Registrar to authenticate and deliver, a new bond having a number not then outstanding, of like date, maturity and denomination as that mutilated, lost, stolen or destroyed.

In the case of a mutilated bond, a replacement bond shall not be delivered unless and until such mutilated bond is surrendered to the Bond Registrar. In the case of a lost, stolen or destroyed bond, a replacement bond shall not be delivered unless and until the Village and the Bond Registrar shall have received such proof of ownership and loss and indemnity as they determine to be sufficient, which shall consist at least of (i) a

lost instrument bond for principal and interest remaining unpaid on the lost, stolen or destroyed bond, (ii) an affidavit of the registered owner (or his or her attorney) setting forth ownership of the bond lost, stolen or destroyed and the circumstances under which it was lost, stolen or destroyed, (iii) the agreement of the owner of the Bond (or his or her attorney) to fully indemnify the Village and the Bond Registrar against loss due to the lost, stolen or destroyed bond and the issuance of any replacement bond in connection therewith, and (iv) the agreement of the owner of the Bond (or his or her attorney) to pay all expenses of the Village and the Bond Registrar in connection with the replacement, including the transfer and exchange costs which otherwise would be paid by the Village.

Section 210. State Approval. The issuance and sale of the Bond shall be subject to the approval of the Michigan Department of Treasury, as required by law, and the Village President or Clerk or Bond Counsel is hereby authorized to make application to the Department of Treasury for permission to issue and sell the Bond. Alternatively, Bond Counsel, in his or her discretion, is authorized to apply for an exception to such prior approval from the Michigan Department of Treasury.

Section 211. Capitalized Interest. As the Village Treasurer so orders at or prior to the time of delivery of the Bond, up to one years of the interest payable on the Bond is to be capitalized; and excess amounts of proceeds over actual Project costs shall be transferred to the Bond and Interest Redemption Fund established hereafter.

Section 212. Rates and Charges. The rates and charges for service furnished by the Water Revenue System shall be those as are already in effect.

ARTICLE III FUNDS AND SECURITY

Section 301. Security. The principal of, premium, if any, and interest on the Bond shall be payable from the net revenues derived from the Village's Water Revenue System, including net revenues derived from future improvements. To secure the payment of the principal of, premium, if any, and interest on the Bond issued under this Ordinance and on any additional Bond or Bonds of equal standing issued as provided below, there is hereby created in favor of the holders of the Bond a lien (made a statutory lien by the Act) upon said revenues which lien shall be equal to and on a parity with the lien securing any additional Bond or Bonds which may be hereafter issued in accordance with the restrictions contained in this Ordinance. The revenues so pledged shall be and remain subject to the lien until the payment in full of the principal of and premium, if any, and interest on the Bond or until provision for such payment has been made by the deposit with the paying agent of either (i) cash in an amount

which shall be sufficient, or (ii) non callable direct obligations of the United States of America or obligations fully guaranteed by the United States of America, the principal of which and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the paying agent for such purpose, shall be sufficient to pay when due the principal of and premium, if any, and interest due and to become due on the Bond to and at maturity or any earlier specified redemption date or dates.

Section 302. Definition of System

The Village will not provide any free service in any of facilities which comprise the Water Revenue System.

The Water Revenue System. The "Water Revenue System" shall mean and shall be entitled to receive all of the revenues from the operation of the Village Water System including, but not limited to:

- (i) All fees and charges of whatever nature charged to any customer of the Village's Water System.
- (ii) All fees and charges collected by the Village for connection to the Village's Water System.
- (iii) The investment earnings on (i) and (ii).

Section 303. Creation of Funds. Subject to the provisions of Ordinance No. 53 under which the Village authorized the issuance of not to exceed \$385,000 of its Revenue Refunding Bonds, Series 1988 dated as of June 1, 1988 of which \$160,000 remains outstanding on the date hereof, the Village of Millington Water System Receiving Fund, the Water Operation and Maintenance Fund, the Bond and Interest Redemption Fund (including the Bond Reserve Account established therein), the Surplus Fund, and the Construction Fund for the Project are hereby established. The revenues of the water system shall be set aside into the various funds as follows:

(a) Village of Millington Water System Receiving Fund. The revenues of the Water Revenue System are hereby ordered to be set aside, as collected, and deposited with a Depository designated by the Council of the Village (the "Depository") in an account to be designated "Village of Millington Water Revenue Fund" (the "Water Receiving Fund"). The revenues so deposited in the Water Receiving Fund shall be as set forth below transferred from the Water Receiving Fund periodically in the manner and at the time specified below.

(b) Water Operation and Maintenance Fund. Out of the revenues in the Water Receiving Fund the Village shall first cause to be set aside into the fund designated "Water Operation and Maintenance Fund," an itemized sum designated and certified

by the Village President sufficient to provide for the payment of all current expenses of administration and operation of the Water Revenue System and such current expenses for the maintenance as may be necessary to preserve the Water Revenue System in good repair which are estimated to be incurred prior to the next due payment of principal of and premium, if any, and interest on the Bond. Money on deposit in the Water Operation and Maintenance Fund shall be used by the Village for the payment of the above described expenses.

(c) Bond and Interest Redemption Fund. There shall be established and maintained with a bank designated by the Treasurer (the "Depository") a separate depository fund designated the 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 Bond. The moneys in the Redemption Fund (including the Bond Reserve Account) shall be kept on deposit with the bank where the principal of and interest on the Bond, or any series thereof, are payable.

Out of the revenues remaining in the Water Receiving Fund after provision for the respective Operation and Maintenance Funds, there shall be set aside each month commencing September 1, 2002 in the Redemption Fund shall be 1/12 of the total amount of interest on the Bond next coming due less any accrued interest or capitalized interest deposited in the Bond and Interest Redemption Fund. Commencing September 1, 2002, the pro-rata amount set aside each month for the principal on the Bond shall be 1/12 of the total amount of principal on the Bond coming due on the following June 1st. 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 and on the Bond Reserve Account, if any, is necessary to pay principal and interest due on the Bond on the next succeeding principal payment date.

There is established a separate account in the Redemption Fund to be known as the BOND RESERVE ACCOUNT ("the Bond Reserve Account"). At the time the Bond are delivered there shall be deposited in the Bond Reserve Account from cash on hand the following amounts: (a) Before the Bond is delivered, the Village shall cause \$17,033.50 to be deposited from its funds into the Bond Reserve Account which amount must be deposited in the Bond Reserve Account each year over the life of the Bond and (b) \$6,583.50 of this amount must be deposited in the Bond Reserve Account each year until \$65,385 is accumulated. The remaining \$10,450 must be deposited in a Repair, Replacement and Improvement Fund (RRI Fund). When the Bond Reserve Fund is fully funded the entire \$17,033.50 annual requirement must be deposited in the RRI Fund for the life of the loan. The Bond Reserve

Account is sometimes referred to as the "Reserve Account." In no event may the amount of borrowed funds in the Reserve Account exceed the lesser of (1) the maximum annual debt service due on the Bond in the current or any future year, (2) 125% of the average annual debt service on the Bond, or (3) 10% of the principal amount of the Bond. Interest on the Bond Reserve Account must be transferred into the Redemption Fund once the maximum amount in the Reserve Account has been reached and may be used to pay principal and interest on the Bond and interest yields on the Reserve Fund shall be limited as required by Section 504 of the Ordinance.

Except as otherwise provided in this section, the moneys credited to the Bond Reserve Account shall be used solely for the payment of the principal of, redemption premiums (if any) and interest on the Bond as to which there would otherwise be a default. If, at any time, it shall be necessary to use moneys credited to the Bond Reserve Account for such payment, then the moneys so used shall be replaced from the net revenues first received thereafter which are not required for current principal and interest requirements until the amount on deposit equals the Reserve Amount. If an additional Bond or additional Bonds are issued, each ordinance authorizing the additional Bond or Bonds shall provide for additional deposits to the Bond Reserve Account to be made from the proceeds of the additional Bond or Bonds or issuer funds on hand and legally available for such use in an amount that will result in the Bond Reserve Account being equal to the maximum annual principal and interest requirements on the Bond outstanding after issuance of the additional Bond or Bonds, or such lesser amount as may be necessary to maintain the tax-exempt status of the Bond. If on any Principal Payment date the amount in the Bond Reserve Account exceeds the Reserve Amount, the excess shall be transferred to the Redemption Fund for payment of principal and interest on the Bond due on that date.

(d) Water Surplus Fund. Revenues remaining in the Water Receiving Fund at the end of each operating year after all periodic transfers have been made therefrom as above required shall be deemed to be surplus and at the option of the Village may be left in the Water Receiving Fund or may be transferred to a fund to be designated "Water Surplus Fund." Monies in the Water Surplus Fund from time to time may be transferred to one or more of the foregoing Water funds or may be used for any water purpose approved by the Council and may be disbursed by the Village for such purposes. Monies in the Water Surplus Fund may also be used to redeem the Bond for Water purposes. If, however, at any time there shall exist any default in making any periodic transfer to any of the funds described, then such default shall be rectified so far as possible by the transfer of monies from the Water Surplus Fund before any other use is made of such monies. If any such default shall exist as to more than one fund at any one time, then such transfers shall be made in the order in which such funds are listed above.

(e) Construction Fund-Capitalized Interest. The balance of the proceeds of the sale of the Bond authorized to be issued shall be deposited in a construction fund (the "Construction Fund"), which is hereby established, to be maintained by the Village. Monies in the Construction Fund shall be deposited with the Depository in a separate account and may be invested as provided below. From the monies in the Construction Fund, there shall first be transferred to the Bond and Interest Redemption Fund any premium and accrued interest paid to the Village by the purchaser of the Bond. There shall next be withdrawn by the Village a sum representing the amount already advanced or disbursed by the Village for Project costs as certified by the Village President. The balance of monies in the Construction Fund proceeds shall be used solely to pay costs of the Project. Payments for construction shall not be authorized by the Village until there shall have been first filed with the Village by its consulting engineer a written statement certified to the effect that the sum so paid is in full or partial payment of a contract obligation in connection with the Project. The certification of the engineer shall also show the amount of construction estimates which have been previously approved by him for payment and the amount of the balance which will be required for completion of the Project. The Village may rely upon such written statements without duty of further inquiry. Capitalized interest shall be deposited in the Bond and Interest Redemption Fund.

Section 304. Custody of Funds. All of the funds established pursuant to Section 303 shall be maintained by the Village, but moneys in such funds shall be deposited, when not invested, with the Depository. Such moneys may be kept in one account with the Depository, provided that moneys in such account, and earnings on such moneys, shall be separately allocated on the books and records maintained by the Village with respect to all such funds. As required by Section 24 of the Act, an account for moneys deposited in the Bond and Interest Redemption Fund shall be maintained with the Bond Registrar.

Section 305. Investment of Funds. Moneys from time to time on hand in any funds, or any account of any fund, may be invested by the Village in accordance with Section 24 of the Act. Any gain or loss resulting from any investment and any interest received on any such investment shall accrue to the fund or account from which such investment was made. To the extent moneys are invested in certificates of deposit, the amount of money invested in certificates of deposit in any one bank shall not exceed 10% of the unimpaired capital and surplus of such institution.

ARTICLE IV EVENTS OF DEFAULT AND REMEDIES

Section 401. Events of Default. Any of the following events occurring shall constitute an "Event of Default":

(a) Default in the due and punctual payment of principal of, premium, if any, or interest on the Bond whether at maturity or upon redemption.

(b) Default in the performance or observance of any other duty, obligation or condition on the part of the Village provided in this Ordinance, or the Act, or any other provision of law or in the Bond, and the continuance of such default for a period and after the notice specified below in this section.

No default specified in (b) above shall constitute an Event of Default unless notice thereof shall have been given by the holders of not less than 20% of the principal amount of the outstanding Bond to the Village, and the Village shall have failed to correct the default or cause the default to be corrected within the 30-day period beginning on the date of receipt by the Village of such notice of default.

Section 402. Remedies. Upon the occurrence and continuance of an Event of Default, the holders of not less than 20% of the principal amount of the outstanding Bond may enforce their rights by any one or more of the following remedies.

(a) By bringing an action at law or suit in equity upon the Bond or under this Ordinance.

(b) By pursuing any other available remedy to enforce payment of the Bond or performance by the Village of its duties and obligations under this Ordinance and the Act or to prevent violations of those duties and obligations.

No remedy conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given or available to the Bondholders or existing by law.

The holders of not less than 20% of the principal amount of the outstanding Bond may (i) give written notice of a default to the Village, (ii) exercise any remedies under this Ordinance or any provision of law, (iii) direct the method and place of conducting all proceedings to be taken in connection with the exercise of any remedy; provided, however, that there shall be no such waiver, rescission or termination unless all arrears of principal of and interest on the Bond, together with interest thereon (to the extent permitted by law) at the applicable rate of interest borne by the Bond shall have been paid or provided for, and (iv) intervene in any judicial proceeding to which the Village is a party which may have substantial bearing on the interest of the Bondholders, subject to the approval of a court exercising jurisdiction.

Bondholders shall have the right to bring individual action only to enforce payment of the principal of and interest on the Bond of the respective holders thereof at the respective due dates thereof.

**ARTICLE V
COVENANTS**

Section 501. Miscellaneous Covenants. The Village hereby covenants and agrees with the holders of the Bond, from time to time, that (a) it will punctually perform all duties with reference to the Project and the Bond required by the Constitution and laws of the State of Michigan and by this Ordinance; (b) it will cause the Project to be constructed in substantial accordance with the plans and specifications for it; (c) it will cause the Project to be maintained in good condition and operated in an efficient manner and at a reasonable cost, so long as the Bond is outstanding; and (d) it will cause records, statements and accounts to be prepared, maintained and filed as may be required by the Act, particularly Section 30 of the Act. Any such audit shall be in such reasonable detail as will present the full financial condition of the Project to the holders of the Bond and shall include auditor's consents on the manner in which the Village has complied with the provisions of this Ordinance in respect to the several funds of the Project.

Section 502. Limitation on Indebtedness. The Village covenants and agrees that it will not incur any indebtedness or liabilities of any kind payable from any of the revenues pledged as primary security under Section 301 except for the following:

- (a) The Bond;
- (b) Bonds not having an equal standing to the Bond; or
- (c) Liabilities (other than for borrowed money and other than rents payable under leases) incurred in the regular operation of the Project; or
- (d) Additional Bonds issued pursuant to this Ordinance.

Section 503. Additional Bonds. While the Bond is outstanding, no additional bonds payable from or in any manner secured by the revenues under the Ordinance may be issued which shall have a prior or equal standing with the Bond, except as provided herein. Additional bonds may be issued by the Village only for one or more of the following purposes:

- (a) Refunding and retiring any outstanding Bond or Bonds, if such Bond or Bonds may then be refunded or retired;

(b) Advance refunding any outstanding Bond or Bonds, regardless of whether such Bond or Bonds may then be refunded or retired; or

(c) Financing subsequent repairs, extensions, enlargements and improvements to the system including deposits which may be required to be made to the Bond and Interest Redemption fund. Bonds for such purposes shall not be issued pursuant to this subparagraph (d) unless the average actual or augmented net revenues of the system for a period of any twelve consecutive months during the immediately preceding eighteen months of the actual or augmented net revenues for the last preceding twelve month operating year, if said period has been audited, shall be equal to at least one hundred percent (100%) of the average amount of principal and interest thereafter maturing in any operating year on the then outstanding bond or bonds and on the additional bond or bonds then being issued. If the system rates, fees or charges shall be increased at or prior to the time of authorizing the additional bond or bonds, the net revenues for a period of any twelve consecutive months during the immediately preceding eighteen months shall be augmented by an amount reflecting the effect of the increase had the system's billing during such operating years been at the increased rates. In addition, the actual net revenues for a period of any twelve consecutive months during the immediately preceding eighteen months may be augmented by an amount reflecting the effect of the increased rates. In addition, the actual net revenues for a period of any twelve consecutive months during the immediately preceding eighteen months may be augmented by the estimated increase in net revenues to accrue as a result of the acquisition of the repairs, extensions, enlargements and improvements to said system to be paid for in whole or in part from the proceeds of the additional bond or bonds to be issued and resulting from those customers of the system serviced by said repairs, extensions, enlargements and improvements to said system to be paid for in whole or in part from the proceeds of the additional bond or bonds to be issued and resulting from those customers of the system serviced by said repairs, extensions, enlargements and improvements constructed to the system. In addition, the actual net revenues may be augmented by an amount equal to the investment income representing interest on investments estimated to be received each operating year from the addition to the Bond and Interest Redemption Fund to be funded from the proceeds of the additional bond or bonds being issued or by any additional security given pursuant to Act 94, provided said Bond and Interest Redemption Fund shall be then funded at its maximum amount. Determination by the Council as to the existence of conditions permitting the issuance of Additional bonds shall be conclusive. No additional bond or bonds of equal standing as to the net revenues of the system shall be issued pursuant to the authorization contained in

this subparagraph if the Village shall then be in default in making its required Bond and Interest Redemption Fund.

(d) To complete the Project, in accordance with the plans and specifications therefor, such bond or bonds shall not be authorized unless the engineers in charge of construction shall execute a certificate evidencing the fact that additional funds are needed to complete the Project in accordance with the plans and specifications therefor and stating the amount that will be required to complete the Project. If such certificate shall be so executed and filed with the Village, it shall be the duty of the Village to provide for and issue an additional revenue bond or 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 bond or bonds or to provide for part or all of such amount from other sources.

Section 504. Arbitrage and Tax Covenants. Notwithstanding any other provision of this Ordinance, the Village covenants that it will not at any time or times:

(a) Permit any proceeds of the Bond or any other funds of the Village or under its control to be used directly or indirectly (i) to acquire any securities or obligations, the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), or (ii) in a manner which would result in the exclusion of any Bond from the treatment afforded by Section 103(a) of the Code by reason of the classification of any Bond as a "private activity bond" within the meaning of Section 141(a) of the Code, as a "private loan bond" within the meaning of Section 141(a) of the Code or as an obligation guaranteed by the United States of America within the meaning of Section 149(b) of the Code; or

(b) Take any action, or fail to take any action (including failure to file any required information or other returns with the United States Internal Revenue Service or to rebate amounts to the United States, if required, at or before the time or times required), within its control which action or failure to act would (i) cause the interest on the Bond to be includible in gross income for federal income tax purposes, cause the interest on the Bond to be includible in computing any alternative minimum tax (other than the alternative minimum tax applicable to interest on all tax-exempt obligations generally) or cause the proceeds of the Bond to be used directly or indirectly by an organization described in Section 501(c)(3) of the Code, or (ii) adversely affect the exemption of the Bond and the interest thereon from the State of Michigan income taxation.

Section 505. Fixing and Revising Rates; (Rate Covenant). The rates now in effect are estimated to be sufficient to provide for the payment of the expenses of administration and operation and such expenses for maintenance of the Water Revenue System as are necessary to preserve the Water Revenue System in good repair and working order, to provide for the payment of the principal of and interest on the Bond 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 Water Revenue 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 120% of the principal of and interest on the Bond coming due in each fiscal year. The rates 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 Water Revenue System at all times sufficient to provide for the foregoing.

Section 506. Qualified Tax-Exempt Obligations. The Bond is hereby designated as "qualified tax-exempt obligations" for purposes of deduction of interest expenses by financial institutions under the provision of Section 265 of the Code, provided that such designation shall have no effect if the Bond has been determined to be ineligible to be so designated on the basis of the Village's reasonable expectations at the time of the sale.

ARTICLE VI MISCELLANEOUS

Section 601. Amendments. The Council may make an amendment, change or modification to this Ordinance for the purpose of (I) curing any ambiguity or formal defect or omission nor revising the description of the Project, (ii) issuing any additional bond or bonds, or (iii) making any other change to this Ordinance, which is not to the prejudice of the Bondholders.

Section 602. Remaining Proceeds. Any unexpected balance of the proceeds of the sale of the Bond remaining after the completion of the Project may be used for the improvement, enlargement and/or extension of the Project, provided that all such proceeds shall either be expended for the costs of the Project within three years from the date of issuance of the Bond or shall be paid into the Bond Fund and applied in accordance with the provisions of Section 16 of the Act.

Section 603. Operating Year. The Operating Year of the System is hereby determined to be the same as the fiscal year of the Village, beginning on March 1 and ending on February 28 or 29.

Section 604. Municipal Finance Division. The Village Manager or the Village President if there is no Village Manager is authorized and directed to:

- (a) if necessary, apply to the Municipal Finance Division of the Michigan Department of Treasury for approval of the sale of the Bond;
- (b) if necessary, file with such application all required supporting material; and
- (c) pay fees required in connection therewith.

Section 605. 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 606. Issuer Subject to Loan Resolution. So long as the Government is holder of any of the Bonds, the Issuer shall be subject to the loan resolution (RUS Bulletin 1780-27) and shall comply with all provisions thereof.

Section 607. Covenant Not to Defeasance. So long as the Government is the holder of any of the Bonds the Issuer covenants that it will not defeasance any of the Bonds held by the Government.

Section 608. 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 609. Publication of Ordinance - Effective Date. This Ordinance shall be recorded in the minutes of the meetings of the Council at which it was adopted, as soon as practicable after its passage, which record shall be authenticated by the signatures of the Village President and the Clerk of the Village, and shall be published once in a newspaper of general circulation within the County of Tuscola and the Village of Millington as required by Section 6 of the Act. This Ordinance shall take immediate effect.

Section 610. Severability. If any section, paragraph, sentence, clause or phrase of this Ordinance shall be held invalid, the same shall not affect any other part of this Ordinance.

Section 611. Separate Ordinance from Water Ordinance #53. This Ordinance is separate from and not intended to amend in any way or modify the Village's Water Ordinance #53 adopted in May of 1988.

Section 612. Conflicts. All Resolutions and Ordinances or parts thereof, insofar as the same may be in conflict with this Ordinance, except Ordinance #53 of 1988, are hereby repealed.

A vote upon the foregoing Ordinance was taken, and the results were as follows:

YES: Beck, Coleman, Dean, C. Fackler, S. Fackler, Ward, Reinert
NO: None
ABSTAIN: None

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AUTHENTICATION

The undersigned hereby certify that this Ordinance was duly adopted by the Village Council of the Village of Millington at a Special meeting on August 26, 2002 and that the foregoing is a true and complete copy thereof.

Sailan Reint
Village President

Rebecca Kochenderfer
Village Clerk

Dated: August 26, 2002

VILLAGE CLERK'S CERTIFICATION

The undersigned, being the duly qualified and acting Clerk of the Village of Millington, Michigan, hereby certifies that (1) the foregoing is a true and complete copy of an Ordinance duly adopted by the Village Council meeting held on August 26, 2002, at which meeting a quorum was present and remained throughout, (2) the original thereof is on file in the records of the proceedings of the Village Council in my office, (3) the meeting was conducted, and public notice thereof was given, pursuant to and in full compliance with the Open Meetings Act (Act No. 267, Public Acts of Michigan, 1976, as amended), and (4) minutes of such meeting were kept and will be or have been made available as required thereby.

Rebecca Kochenderfer
Village Clerk

[SEAL]

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APPENDIX A
TO
BOND ORDINANCE

DESCRIPTION OF PROJECT

See Appendix A, page 2

PERIOD OF USEFULNESS OF PROJECT

The period of usefulness of the project will be not less than thirty (40) years.

ESTIMATED COST OF PROJECT

Construction, Engineering, Contingency, Financing Costs	\$1,290,000
Less Grant	<u>140,000</u>
TOTAL BOND AMOUNT	<u>\$1,150,000</u>

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APPENDIX A, PAGE 2
DESCRIPTION OF PROJECT

CONTRACT I: WATER DISTRIBUTION SYSTEM

NO.	ITEM	ESTIMATED QUANTITY	UNITS
SITE WORK			
1	Cleaning and grubbing (Including trees and brush).	1	L.S.
2	Silt fabric erosion control.		
	a. At drainage sites.	550	L.F.
	b. At covers of nearby catch basin.	200	L.F.
3	Sawcut and removal of sidewalk.	14000	S.F.
4	Sawcut and removal of bituminous.	7500	S.F.
5	Removal of fire hydrant assembly (Including FH, valve, pipe, etc.)	4	Each
WATERMAIN AND SERVICE			
6	Piping connection areas (Not including valves or hydrants): excavation, locating, connections, tees, bends, crosses, thrust blocks, piping, adapters, glands, pipe, etc.	23	Each
7	4" Gate valve and box with stem extension.	2	Each
8	6" Ductile iron pipe watermain.	2110	L.F.
9	6" Gate valve and box with stem extension.	20	Each
10	10" Ductile iron pipe watermain.	9845	L.F.
11	10" Gate valve and box with stem extension.	15	Each
12	Directional drill 10" dia. HDPE watermain.	1150	L.F.
13	HDPE Plastic/DIP transition.	4	Each
14	Provide and install fire hydrant assembly (FH, pipe, tees, bends, risers, etc.; not including valve).	10	Each
15	10"X8" Tee with branch plug.	2	Each
16	Vertical bends at ditch crossing (Sheet 2).	4	Each
17	Horizontal 10" 11-1/4° bends (Not within piping connections areas).	2	Each
18	Connect to existing FH line, new tee, connection.	5	Each
19	Switch over of 3/4" services lines.		Each
	a. Tap new main, corporation stop, curb stop and box, adapters, couplings, locate and connect existing service at R/W.	100	Each
	b. 3/4 inch service, drill.	2437	L.F.
ESTIMATED QUANTITY UNITS			
NO.	ITEM	ESTIMATED QUANTITY	UNITS
	c. Provide and install meter pit, yoke, meter, transmitter register, pit transponder, insulating blanket (either within existing service line or as part of a new service line).	100	Each

20	Switchover of larger size service lines.		
	1" diameter		
	a. Provide and install meter pit, yoke, meter, transmitter register, pit transponder, insulating blanket (either within existing service line or as part of new service line).	10	Each
	2" diameter		
	b. Tap new main, corporation stop, curb stop and box, adapters, couplings, locate and connect existing service at R/W.	3	Each
	6" diameter		
	c. New tee at new main, locate and connect to existing 6" service near new tee, coupling adapter.	4	Each
	d. Locate existing 6" service at R/W. Extend 1" branch to R/W; cut out appropriate area and use coupling adapters to insert new meter pit for 1" service.	4	Each
21	Provide and install automated meter unit (including locate service line, installation of meter pit, yoke, meter, register, transponder and insulating blanket, connection to line) at existing users elsewhere, not associated with new watermain construction.	330	Each
22	Automated meter reading system.	1	L.S.
23	Calibrate all meters.	1	L.S.
24	Disinfection, sampling, testing.	1	L.S.
OTHER ITEMS			
	Restoration (Note: excludes restoration along East Main Street):		
	a. Gravel in gravel driveway cuts.	43	C.Y.
	b. Bituminous (3 inch depth) within road cuts and bituminous driveways.	138	Ton
	c. Concrete (6") within concrete driveways.	4000	S.F.
	d. Concrete (4") within sidewalks.	10000	S.F.
	e. Turf establishment (3" topsoil, fertilizer, and hydroseed type mulch).	40000	S.Y.
NO.	ITEM	ESTIMATED QUANTITY	UNITS
26	Traffic Control:		
	a. Minor traffic devices.	1	L.S.
	b. Along M-15 (Per MDOT Requirements; include signs and lighted arrow if necessary).	1	L.S.
27	Provide and install rural development project sign.	1	L.S.
28	Project cleanup.	1	L.S.
29	Miscellaneous (identify)		

CONTRACT II: NEW PRODUCTION WELL, BACKUP POWER SUPPLY AND ABANDONMENT OF TWO EXISTING WELLS.

NO.	ITEM	ESTIMATED QUANTITY	UNITS
SITE WORK			
1	Clearing and grubbing.	1	L.S.
2	Silt fabric erosion control (at new well and temporary discharge).	200	L.F.
CONSTRUCTION AT CAINE ROAD PUMP HOUSE SITE			
TEST WELL AND PRODUCTION WELL			
3	Drill 12" hole and install 8" casing.	140	L.F.
4	Drill 8" open hole.	350	L.F.
5	Test well development.	1	L.S.
PRODUCTION WELL PUMP			
6	Install production well point casing, pitless adapter, piping, appurtenances, pump.	1	L.S.
7	Piping from production well to pump house.	1	L.S.
PUMP HOUSE			
8	Piping modifications, including 2 silent check valves, side outlet tee, straight pipe, bend, adapters, pipe cutting, supports, etc.	1	L.S.
9	Backup power supply, including generator set, automatic transfer switch unit, intake, exhaust, roof vent/thimble (or wall exhaust), gas supply, electrical wiring, etc.	1	L.S.
10	New control panel for new pump, starter and variable frequency control.	1	L.S.
11	Pump alternator within process instrumentation.	1	L.S.
12	Upgrade RS Technical Process Control Panel for new pump.	1	L.S.
13	Electrical service line from control panel to new submersible pump.	1	L.S.
14	Pressure gage, 1/4 inch air line from pump house to new well.	1	L.S.
15	Chain link fence.	720	L.F.
16	One 16 ft. slide chain link fence gate.	1	L.S.
NO.	ITEM	ESTIMATED QUANTITY	UNITS
CONSTRUCTION AT BISHOP STREET WELL SITES			
17	Abandon existing municipal well.	2	Each
18	Upgrade process and instrumentation panels within DPW office for elimination		

	of 2 existing wells and operation of existing Caine well and new Caine Road well.	1	L.S.
OTHER ITEMS			
19	Restoration		
	a. Gravel in gravel driveway.	200	C.Y.
	b. Turf establishment (3" topsoil, fertilizer, and hydroseed type mulch).	200	S.Y.
20	Traffic Control:		
	a. Minor traffic devices.	1	L.S.
21	Project Cleanup.	1	L.S.
22	Miscellaneous (Identify).	1	L.S.

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[APPENDIX B - FORM OF BOND]

UNITED STATES OF AMERICA-STATE OF MICHIGAN-COUNTY OF TUSCOLA
VILLAGE OF MILLINGTON 2002 WATER REVENUE BOND

<u>RATE</u>	<u>MATURITY DATE</u>	<u>DATE OF ISSUANCE</u>	<u>CUSIP</u>
-------------	----------------------	-------------------------	--------------

1,

REGISTERED OWNER:

PRINCIPAL AMOUNT:

FOR VALUE RECEIVED, the Village of Millington (the "Village"), County of Tuscola, State of Michigan, hereby acknowledges itself indebted and promises to pay (but only from the sources referred to herein) on the Maturity Date specified above, unless paid prior thereto as hereinafter provided, to the Registered Owner specified above, or its registered assigns, the Principal Amount specified above upon presentation and surrender of this Bond at the designated office of _____, Michigan, as paying agent, bond registrar, authenticating agent and Bond Registrar (the "Bond Registrar"), together with interest thereon to the Registered Owner of this Bond, as shown on the books of the Village maintained by the Bond Registrar, on the applicable date of record from the Date of Issuance specified above, or such later date through which interest has been paid, at the Rate per annum specified above, commencing _____ 1, _____, and semiannually thereafter on the first day of _____ and _____ in each year to and including the Maturity Date or earlier redemption of this Bond. The date of record for each payment of interest shall be the 15th day of the month preceding the date such payment is due. Interest is payable by check or draft mailed by the Bond Registrar to the Registered Owner at the address shown on the books of the Village maintained by the Bond Registrar on the applicable date of record and shall be calculated on the basis of a 360-day year consisting of twelve (12) thirty (30) day months.

This Bond is a single, fully registered, non-convertible bond in the principal sum of _____ Dollars (\$ _____), issued by the Village in the principal installment amounts set forth in *EXHIBIT A* attached hereto and made a part hereof, pursuant to and in full conformity with the Constitution and Statutes of the State of Michigan and especially Act No. 94, Michigan Public Acts of 1933, as amended (the "Act"), and pursuant to an ordinance of the Village Council of the Village (the "Bond Ordinance") adopted for the purpose of constructing extensions to the Village's Water System.

This Bond is junior to and specifically subordinate to the Village of Millington Water Revenue Refunding Bonds, Series 1988, dated June 1, 1988 authorized by Ordinance No. 33 of the Village adopted on May 23, 1988 (the "1988 Bonds"), on the date hereof the remaining maturities of the 1988 Bonds are as follows:

<u>Date Due</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
October 1		
2002	7.80%	\$20,000
2003	7.90%	20,000
2004	8.00%	25,000
2005	8.10%	25,000
2006	8.20%	30,000
2007	8.30%	30,000
2008	8.40%	30,000

Subject to payments due on the 1998 Bonds, this Bond and the interest hereon are payable from the net revenues derived from the operation of the Village's Water Systems. Such revenues have been irrevocably pledged by the Village for the payment of principal of, premium, if any, and interest on the bond and other bonds as provided in the Ordinance and such lien has been made a statutory lien by the Act. Such moneys shall be used by the Village to pay principal of, premium, if any, and interest on the bond and such other bonds as provided in the Ordinance. In the event net revenues pledged for the payment of the bond and such other bonds as provided in the Ordinance are for any reason insufficient to pay the principal of, premium, if any, and interest on the bond when due, the Village is not obligated to advance moneys from its general funds to make up such deficiency.

Principal installments of this Bond are subject to prepayment prior to maturity, in inverse chronological order, at the Village's option, on any interest payment date at par, plus accrued interest to the date fixed for redemption.

Thirty (30) days notice of the call of any principal installment for prepayment shall be given by mail to the Registered Owner at the registered address. The principal installment or 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 Village kept by the Bond Registrar and noted hereon, after which it shall be transferable only upon presentation to the Bond Registrar with a written transfer by the registered owner or his or her attorney in fact. Such transfer shall be noted hereon and upon the books of the Village kept for that purpose by the Bond Registrar.

This Bond has been designated as a "qualified tax-exempt obligation" for purposes of Paragraph 265(b)(3) of the Internal Revenue Code of 1986, as amended.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit until the certificate of authentication hereon has been duly executed by the Bond Registrar, as authenticating agent.

It is hereby certified, recited and declared that all things, conditions and acts required to exist, happen and be performed precedent to and in connection with the issuance of this Bond, existed, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of Michigan, and that the total indebtedness of the Village, including this series of bonds, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Village of Millington, County of Tuscola, State of Michigan by its Council, has caused this Bond to be executed in its name with the facsimile signatures of its President and its Clerk, has caused a facsimile of its corporate seal to be affixed hereto, and has caused this Bond to be authenticated by the Bond Registrar, as the Village's authenticating agent, all as of the Date of Issuance set forth above.

VILLAGE OF MILLINGTON

By: President

[SEAL]

By: Clerk

DATE OF REGISTRATION:

BOND REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This Bond is designated "Village of Millington 2002 Water Revenue Bond".

By: _____
Authorized Representative

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

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

\$1,150,000

To Village of Millington 2002 Water Revenue Bond

<u>Principal Installment</u> <u>Due on Sept. 1</u>	<u>Amount of</u> <u>Principal Installment</u>
2003	\$10,000
2004	11,000
2005	11,000
2006	12,000
2007	12,000
2008	13,000
2009	13,000
2010	14,000
2011	15,000
2012	15,000
2013	16,000
2014	17,000
2015	18,000
2016	19,000
2017	19,000
2018	20,000
2019	21,000
2020	22,000
2021	23,000
2022	24,000
2023	26,000
2024	27,000
2025	28,000
2026	29,000
2027	31,000
2028	32,000
2029	34,000
2030	35,000
2031	37,000
2032	39,000
2033	41,000
2034	43,000
2035	45,000
2036	47,000
2037	49,000
2038	51,000
2039	54,000
2040	56,000
2041	59,000
2042	62,000

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APPENDIX C

[PLEASE SEE ATTACHED]