

ORDINANCE NO . 56

AN ORDINANCE TO PROVIDE FOR THE CONSTRUCTION, INSTALLATION, FURNISHING AND EQUIPPING OF IMPROVEMENTS TO THE EXISTING WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM OF THE CHARTER TOWNSHIP OF GARFIELD; TO RECONFIRM ESTABLISHMENT OF THE SYSTEM PURSUANT TO ACT 94, PUBLIC ACTS OF MICHIGAN, 1933, AS AMENDED; TO PROVIDE FOR THE ISSUANCE AND SALE OF REVENUE BONDS TO PAY THE COST THEREOF; TO PRESCRIBE THE FORM OF THE BONDS; TO PROVIDE FOR THE COLLECTION OF REVENUES FROM THE SYSTEM SUFFICIENT FOR THE PURPOSE OF PAYING THE COSTS OF OPERATION AND MAINTENANCE OF THE SYSTEM AND TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS; TO PROVIDE FOR SECURITY FOR THE BONDS; TO PROVIDE FOR THE SEGREGATION AND DISTRIBUTION OF THE REVENUES; TO PROVIDE FOR THE RIGHTS OF THE HOLDERS OF THE BONDS IN ENFORCEMENT THEREOF; AND TO PROVIDE FOR OTHER MATTERS RELATING TO THE BONDS AND THE SYSTEM.

THE CHARTER TOWNSHIP OF GARFIELD ORDAINS:

Section 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.

(i) Revenues may be augmented by the amount of any rate increases adopted prior to the issuance of additional Bonds or to be placed into effect before the time principal or interest on the additional Bonds becomes payable from Revenues as applied to quantities of service furnished during the operating year or portion thereof that the increased rates were not in effect.

(ii) Revenues may be augmented by amounts which may be derived from rates and charges to be paid by new customers of the System.

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

(c) "Authority" means the Michigan Municipal Bond Authority.

(d) "Authorized Officers" means the Supervisor, Township Clerk and Township Treasurer.

(e) "Bond" or "Bonds" mean the Series 2009 Bond, together with any additional Bonds of equal standing hereafter issued.

(f) "Engineers" means Gourdie Fraser, Inc., Traverse City, Michigan.

(g) "Issuer" or "Township" means the Charter Township of Garfield, County of Grand Traverse, State of Michigan.

(h) "MDEQ" means the Michigan Department of Environmental Quality.

(i) "Project" means the acquisition, construction and installation of improvements to the existing water supply and sewage disposal system, consisting generally of a new pumping station, force main sewer lines and pipe replacements, together with rights of way, attachments and appurtenances thereto.

(j) "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, and other revenues derived from or pledged to operation of the System.

(k) "Series 2009 Bond" means the Water Supply and Sewage Disposal System Revenue Bond, Series 2009, of the Issuer in the principal amount of not to exceed \$1,100,000 authorized by this Ordinance.

(l) "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.

(m) "Supplemental Agreement" means the supplemental agreement among the Issuer, the Authority and MDEQ relating to the Series 2009 Bond.

(n) "System" means the Water Supply and Sewage Disposal System of the Issuer, including such facilities thereof as are now existing, are acquired and constructed as the Project, and all enlargements, extensions, repairs and improvements thereto hereafter made.

Section 2. Necessity; Approval of Plans and Specifications. It is hereby determined to be a necessary public purpose of the Issuer to acquire and construct the Project in accordance with the plans and specifications prepared by the Engineers, which plans and specifications are hereby approved. The Project qualifies for the Clean Water Revolving Fund financing program being administered by the

MDEQ and the Authority, whereby bonds of the Issuer are sold to the Authority and bear interest at a fixed rate of two and one-half percent (2.50%) per annum.

Section 3. Costs; Useful Life. The cost of the Project is estimated not to exceed One Million Three Hundred Ninety-Four Thousand Dollars (\$1,394,000) including the payment of incidental expenses as specified in Section 4 of this Ordinance, which estimate of cost is hereby approved and confirmed, and the period of usefulness of the Project is estimated to be not less than twenty (20) years.

Section 4. Payment of Cost; Bonds Authorized. To pay part of the cost of acquiring and constructing the Project, including payment of legal, engineering, financial and other expenses incident thereto and incident to the issuance and sale of the Series 2009 Bond, the Issuer shall borrow the sum of not to exceed One Million One Hundred Thousand Dollars (\$1,100,000) and issue its Series 2009 Bond therefor pursuant to the provisions of Act 94. The remaining costs of the Project shall be paid from grant funds and Issuer funds on hand and legally available for such use.

Section 5. Issuance of Series 2009 Bond; Details. The Series 2009 Bond of the Issuer, to be designated **WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BOND, SERIES 2009**, authorized to be issued in the aggregate principal sum of not to exceed One Million One Hundred Thousand Dollars (\$1,100,000) as finally determined by order of the MDEQ for the purpose of paying the cost of the Project, including the costs incidental to the issuance, sale and delivery of the Series 2009 Bond. The Series 2009 Bond shall be payable solely out of the Net Revenues as set forth more fully in Section 7 hereof. The Series 2009 Bond shall be in the form of a single fully-registered, nonconvertible bond of the denomination of the full principal amount thereof, dated as of the date of delivery, payable in principal installments serially as set forth in Section 14 of this Ordinance or as finally determined by the order of the MDEQ at the time of sale of the Series 2009 Bond and approved by the Authority and an Authorized Officer. Final determination of the Principal Amount and the payment dates and amounts of principal installments of the Series 2009 Bond shall be evidenced by execution of a Purchase Contract (the "Purchase Contract") between the Issuer and the Authority providing for sale of the Series 2009 Bond, and each of the Authorized Officers are hereby individually authorized and directed to execute and deliver the Purchase Contract when it is in final form and to make the determinations set forth above.

The Series 2009 Bond shall bear interest at a rate of two and one-half percent (2.50%) per annum on the par value thereof or such other rate as evidenced by execution of the Purchase Contract, but in any event not to exceed the rate permitted by law, payable semiannually on the dates as finally determined in the Purchase Contract. The Series 2009 Bonds principal amount is expected to be drawn down by the Issuer periodically, and interest on the principal amount shall accrue from the date such principal amount is drawn down by the Issuer.

The Supervisor and Township Clerk are authorized to execute and deliver the Series 2009 Bond in accordance with the delivery instructions of the Authority. The Bond shall be signed with the manual or facsimile signatures of the Supervisor and Township Clerk and shall have the Issuer's seal impressed or printed thereon. The Series 2009 Bond bearing the manual or facsimile signatures of the Supervisor and the Township Clerk sold to the Authority shall require no further authentication.

The Series 2009 Bond shall not be convertible or exchangeable into more than one fully-registered bond. Principal of and interest on the Series 2009 Bond shall be payable as provided in the form of the Series 2009 Bond set forth in Section 14 of this Ordinance.

The Series 2009 Bond or principal installments thereof will be subject to prepayment prior to maturity with the prior written approval of the Authority.

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

Upon payment by the Issuer of all outstanding principal of and interest on the Series 2009 Bond, the Authority shall deliver the Series 2009 Bond to the Issuer for cancellation.

Section 6. Registration and Transfer. Any Bond may be transferred upon the books required to be kept pursuant to this section by the person in whose name it is registered, in person or by the registered owner's duly authorized attorney, upon surrender of the Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the transfer agent. Whenever any Bond or Bonds shall be surrendered for transfer, the Issuer shall execute and the transfer agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount. The transfer agent shall require payment by the bondholder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer. The transfer agent shall not be required (i) to issue, register the transfer of or exchange any Bond during a period beginning at the opening of business 15 days before the day of the giving of a notice of redemption of Bonds selected for redemption as described in the form of Series 2009 Bond contained in Section 14 of this Ordinance and ending at the close of business on the day of that giving of notice, or (ii) to register the transfer of or exchange any Bond so selected for redemption in whole or in part, except the unredeemed portion of Bonds being redeemed in part. The Issuer shall give the transfer agent notice of call for redemption at least 20 days prior to the date notice of redemption is to be given.

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 mutilated Bond, upon surrender to the transfer agent of the mutilated Bond. If any Bond issued under this Ordinance shall be lost, destroyed or stolen, evidence of the loss, destruction or theft may be submitted to the 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 sections 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.

Section 7. Payment of Bonds; Security. The Series 2009 Bond and the interest thereon shall be payable solely from the Net Revenues, and to secure such payment, there is hereby created a statutory lien upon the whole of the Net Revenues which shall be a first lien to continue until payment in full of

the principal of and interest on all bonds payable from the Net Revenues, or, until sufficient cash or Sufficient Government Obligations have been deposited in trust for payment in full of all 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.

Section 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 the security therefor.

Section 9. Establishment of System; Management; Fiscal Year. The Issuer hereby reconfirms the establishment of the System pursuant to Act 94, comprised of the System and any additions, extensions or improvements thereto. The operation, repair and management of the System and the acquiring of the Project shall continue to be under the supervision and control of the Township Board. The Township Board 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. The System shall be operated on the basis of an operating year which shall coincide with the Issuer's fiscal year.

Section 10. No Free Service or Use. No free service or use of the System, or service or use of the System at less than cost, shall be furnished by the System to any person, firm or corporation, public or private, or to any public agency or instrumentality, including the Issuer.

Section 11. Fixing and Revising Rates; Rate Covenant. The rates now in effect and the rate adjustments to be placed into 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 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, if any, and to provide for all other obligations, expenditures and funds for the System required by law and this Ordinance. The rates shall be fixed and revised from time to time as may be

necessary to produce these amounts, and the Issuer hereby covenants and agrees to fix and maintain rates for services furnished by the System at all times sufficient to provide for the foregoing.

Section 12. Funds and Accounts; Flow of Funds. Commencing upon the adoption of this Ordinance, all funds belonging to the System shall be continued and maintained as provided herein and all Revenues of the System shall continue to be set aside as collected and credited to a fund to be designated WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM RECEIVING FUND (the "Receiving Fund"). The Revenues credited to the Receiving Fund are pledged for the purpose of the following accounts 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 ACCOUNT: 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 ACCOUNT (the "Operation and Maintenance Account"), 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 expenses 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 Issuer prior to the commencement of each ensuing operating year.

B. BOND AND INTEREST REDEMPTION ACCOUNT: There shall be established and maintained a separate depository account designated BOND AND INTEREST REDEMPTION ACCOUNT (the "Redemption Account"), 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 Series 2009 Bond.

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 July 1, 2009 in the Redemption Account a sum proportionately sufficient to provide for the payment when due of the current principal of and interest on the Series 2009 Bond, less any amount in the Redemption Account representing accrued interest on the Series 2009 Bond or investment income on amounts on deposit in the Redemption Account. Commencing on the first day of the first fiscal year quarter following the delivery of the first installment of the Series 2009 Bond until the entire principal amount of the Series 2009 Bond has been received, the amount set aside each month for interest on the Series 2009 Bond shall be equal to a fraction derived from the number of months from the first day of the first month following delivery of the first installment to the first interest payment date of the total amount of interest on the Series 2009 Bond next coming due. Commencing on the first interest payment date after the entire principal amount of the Series 2009 Bond has been received, the amount set aside each month for interest on the Series 2009 Bond shall be 1/6 of the total amount of interest on the Series 2009 Bond next coming due. The amount set aside each month for principal, commencing the first day of the first fiscal year quarter following the delivery of the initial installment of the Bonds, shall be equal to that amount which is that fraction derived from the number of months from that date to the first principal payment date of the amount of principal next coming due by maturity and the amount set aside each month for principal payment commencing on the first principal payment date, 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 Account, including investment income thereon, is necessary to pay principal and interest due on the Series 2009 Bond on the next succeeding principal payment date.

No further payments need be made into the Redemption Account after enough of the principal installments of the Series 2009 Bond have been retired so that the amount then held in the Redemption Account (including the Bond Reserve Account, if any), is equal to the entire amount of principal and interest which will be payable at the time of maturity of all the principal installments of the Series 2009 Bond then remaining outstanding.

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

C. REPLACEMENT AND IMPROVEMENT ACCOUNT: There shall next be continued and maintained an account designated REPLACEMENT AND IMPROVEMENT ACCOUNT (the "Replacement Account"), 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 the System. Out of the Revenues and moneys of the System remaining in the Receiving Fund each year after provision has been made for the deposit of moneys in the Operation and Maintenance Account and the Redemption Account there may be deposited in the Replacement Account the amount, if any.

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

1. Transferred to the Replacement Account.
2. Transferred to the Redemption Account and used for the purchase of Bonds on the open market at not more than the fair market value thereof or used to redeem Bonds prior to maturity pursuant to Section 5 of this Ordinance.
3. Retained in the Receiving Fund.

Section 13. Bond Proceeds. The proceeds of the sale of the Series 2009 Bond as received by the Issuer shall be deposited in an account separate from other money of the Issuer and held in a bank or banks qualified to act as depository of the proceeds of sale under the provisions of Section 15 of Act 94 designated 2009 CONSTRUCTION FUND (the "Construction Fund"). Moneys in the Construction Fund shall be applied solely in payment of the cost of the Project including any engineering, legal and other expenses incident thereto and to the financing thereof, and shall be fully expended on Project costs within three years after the date of delivery of the Series 2009 Bond. Payments for construction, either on account or otherwise, shall not be made unless the registered engineer in charge of such work shall file with the Township Board a signed statement to the effect that the work has been completed in accordance with the plans and specifications therefore, that it was done pursuant to and in accordance

with the contract therefor (including properly authorized change orders), that such work is satisfactory and that such work has not been previously paid for.

Any unexpended balance of the proceeds of sale of the Series 2009 Bond remaining in the Construction Fund after completion of the Project shall, in the discretion of the Township Board, be used either for further improvements, enlargements and extension to the System, if, at the time of such expenditures, such use is approved by the MDEQ or the Michigan Department of Treasury, if such permission is then required by law, or for the purpose of purchasing Series 2009 Bonds on the open market at not more than the fair market value thereof, but not more than the price at which the Series 2009 Bond may next be called for redemption, or used for the purpose of paying principal of the Series 2009 Bond upon maturity or calling Series 2009 Bond for redemption.

Section 14. Bond Form. The Bonds shall be in substantially the following form subject to such changes as may be required by the Authority:



UNITED STATES OF AMERICA  
STATE OF MICHIGAN  
COUNTY OF GRAND TRAVERSE

CHARTER TOWNSHIP OF GARFIELD

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM  
REVENUE BOND, SERIES 2009

REGISTERED OWNER: Michigan Municipal Bond Authority  
PRINCIPAL AMOUNT: One Million One Hundred Thousand Dollars (\$1,100,000)  
DATE OF ORIGINAL ISSUE: June 22, 2009

The CHARTER TOWNSHIP OF GARFIELD, County of Grand Traverse, State of Michigan (the "Issuer"), for value received, hereby promises to pay, but only out of the hereinafter described Net Revenues of the System (hereinafter defined), to the Michigan Municipal Bond Authority (the "Authority"), or registered assigns, the Principal Amount shown above, or such portion thereof as shall have been advanced to the Issuer pursuant to a Purchase Contract between the Issuer and the Authority and a Supplemental Agreement by and among the Issuer, the Authority and the State of Michigan acting through the Department of Environmental Quality, in lawful money of the United States of America, unless prepaid prior thereto as hereinafter provided.

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

The Principal Amount shall be payable on the dates and in the annual principal installment amounts set forth on the Schedule A attached hereto and made a part hereof, as such Schedule may be adjusted if less than \$1,100,000 is disbursed to the Issuer or if a portion of the Principal Amount is prepaid as provided below, with interest on said principal installments from the date each said installment is delivered to the holder hereof until paid at the rate of two and one-half percent (2.50%) per annum. Interest is first payable on October 1, 2009, and semiannually thereafter and principal is payable on the first day of October commencing April 1, 2010 (as identified in the Purchase Contract) and annually thereafter.

This bond may be subject to redemption prior to maturity by the Issuer only with the prior written consent of the Authority and on such terms as may be required by the Authority.

Notwithstanding any other provision of this bond, as long as the Authority is the owner of this bond, (a) this bond is payable as to principal, premium, if any, and interest at The Bank of New York Mellon Trust Company, N.A. or at such other place as shall be designated in writing to the Issuer by the Authority (the "Authority's Depository"); (b) the Issuer agrees that it will deposit with the Authority's Depository payments of the principal of, premium, if any, and interest on this bond in immediately available funds by 12:00 noon at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise; in the event that the Authority's Depository has not received the Issuer's deposit by 12:00 noon on the scheduled day, the Issuer shall immediately pay to the Authority as invoiced by the Authority an amount to recover the Authority's administrative costs and lost investment earnings attributable to that late payment; and (c) written notice of any redemption of this bond shall be given by the Issuer and received by the Authority'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 Authority's cost of providing funds (as determined by the Authority) to make payment on the bonds of the Authority 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 Authority has been fully reimbursed for all costs incurred by the Authority (as determined by the Authority) as a consequence of the Issuer's default. Such additional interest shall be payable on the interest payment date following demand of the Authority. In the event that (for reasons other than the default in the payment of any municipal obligation purchased by the Authority) the investment of amounts in the reserve account established by the Authority for the bonds of the Authority 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 Authority 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 Authority) of such deficiency as additional interest on this bond.

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

This bond is a single, fully-registered, non-convertible bond in the principal sum indicated above issued pursuant to Ordinance No. \_\_\_ duly adopted by the Township Board of the Issuer, and under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 94, Public Acts of Michigan, 1933, as amended, for the purpose of paying the cost of acquiring and constructing improvements to the System.

For a complete statement of the revenues from which and the conditions under which this bond is payable, a statement of the conditions under which additional bonds of superior and equal standing may hereafter be issued and the general covenants and provisions pursuant to which this bond is issued, reference is made to the above-described ordinance.

This bond is a self-liquidating bond, payable, both as to principal and interest, solely from the Net Revenues of the System. The principal of and interest on this bond are secured by the statutory lien hereinbefore mentioned.

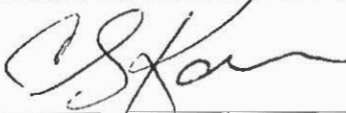
The Issuer has covenanted and agreed, and does hereby covenant and agree, to fix and maintain at all times while any bonds payable from the Net Revenues of the System shall be outstanding, such rates for service furnished by the System as shall be sufficient to provide for payment of the interest upon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

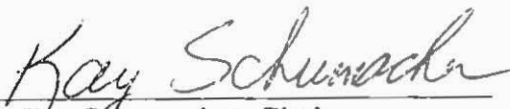
This bond is transferable only upon the books of the Issuer by the registered owner in person or the registered owner's attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the transfer agent, duly executed by the registered owner or the registered owner's attorney duly authorized in writing, and thereupon a new bond or bonds in the same aggregate principal amount and of the same maturity shall be issued to the transferee in exchange therefor as provided in the ordinance authorizing the bonds, and upon payment of the charges, if any, therein prescribed.

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

IN WITNESS WHEREOF, the Charter Township of Garfield, County of Grand Traverse, State of Michigan, by its Township Board, has caused this bond to be executed with the facsimile or manual signatures of its Supervisor and its Clerk and the corporate seal or a facsimile thereof to be impressed or printed hereon, all as of the Date of Original Issue.

**CHARTER TOWNSHIP OF GARFIELD**

By   
\_\_\_\_\_  
Chuck Korn, Supervisor

By   
\_\_\_\_\_  
Kay Schumacher, Clerk

MILLER GARFIELD PADDOCK AND STONE P.L.C.

DEQ Project No.: 5340-01  
DEQ Approved Amt: \$1,100,000

#### SCHEDULE A

Based on the schedule provided below unless revised as provided in this paragraph, repayment of principal of the bond shall be made until the full amount advanced to the Issuer is repaid. In the event the Order of Approval issued by the Department of Environmental Quality (the "Order") approves a principal amount of assistance less than the amount of the bond delivered to the Authority, the Authority shall only disburse principal up to the amount stated in the Order. In the event (1) that the payment schedule approved by the Issuer and described below provides for payment of a total principal amount greater than the amount of assistance approved by the Order, (2) that less than the principal amount of assistance approved by the Order is disbursed to the Issuer by the Authority or (3) that any portion of the principal amount of assistance approved by the Order and disbursed to the Issuer is forgiven pursuant to the Order, the Authority shall prepare a new payment schedule which shall be effective upon receipt by the Issuer.

<u>Principal Installment Due on April 1</u>	<u>Amount of Principal Installment</u>
2010	\$40,000
2011	40,000
2012	40,000
2013	45,000
2014	45,000
2015	45,000
2016	45,000
2017	50,000
2018	50,000
2019	55,000
2020	55,000
2021	60,000
2022	60,000
2023	65,000
2024	65,000
2025	65,000
2026	65,000
2027	70,000
2028	70,000
2029	70,000

Interest on the bond shall accrue on that portion of principal disbursed by the Authority to the Issuer which has not been forgiven pursuant to the Order from the date such portion is disbursed, until paid, at the rate of 2.50% per annum, payable October 1, 2009, and semi-annually hereafter.

The Issuer agrees that it will deposit with the Authority's Depository, or such other place as shall be designated in writing to the Issuer by the Authority payments of the principal of, premium, if any, and interest on this bond in immediately available funds by 12:00 noon at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise. In the event that the Authority's Depository has not received the Issuer's deposit by 12:00 noon on the scheduled day, the Issuer shall immediately pay to the Authority as invoiced by the Authority an amount to recover the Authority's administrative costs and lost investment earnings attributable to that late payment.

Section 15. Additional Bonds. Except as hereinafter provided, the Issuer shall not issue additional Bonds of equal or prior standing with the Series 2009 Bond.

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 Series 2009 Bond 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 and 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 or for both purposes and paying costs of issuing such additional Bonds including deposits which may be required to be made to the Bond Reserve Account, if any. Bonds for such purposes shall not be issued pursuant to this subparagraph (b) unless the Adjusted Net Revenues of the System for the preceding twelve-month operating year shall be at least equal to 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. 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 Account or the Redemption Account.

(c) For refunding all or a part of the outstanding Bonds and paying costs of issuing such additional Bonds including deposits which may be required to be made to the Bond 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.

Section 16. Negotiated Sale; Application to MDEQ and Authority. The Township Board determines that it is in the best interest of the Issuer to negotiate the sale of the Series 2009 Bond to the Authority because the Clean Water Revolving Fund financing program provides significant savings to the Issuer compared to competitive sale in the municipal bond market. The Authorized Officers are

hereby authorized to make application to the Authority for placement of the Series 2009 Bond with the Authority. The Authorized Officers are further authorized to execute and deliver such contracts, documents and certificates including a Supplemental Agreement, Issuer's Certificate and revenue sharing pledge agreement as are necessary or advisable to qualify the Series 2009 Bond for the Clean Water Revolving Fund. Prior to the sale of the Series 2009 Bond to the Authority, any Authorized Officer is hereby authorized to make such changes to the form of Series 2009 Bond contained in Section 14 of this Ordinance as may be necessary to conform to the requirements of 1985 PA 227 ("Act 227"), including, but not limited to changes in the principal maturity and interest payment dates and references to additional security required by Act 227.

Section 17. Covenant Regarding Tax Exempt Status of the Bonds. 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 Series 2009 Bond from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended, including, but not limited to, actions relating to any required rebate of arbitrage earnings and the expenditure and investment of Bond proceeds and moneys deemed to be Bond proceeds, and to prevent the Bonds from being or becoming "private activity bonds" as that term is used in Section 141 of the Code.

Section 18. Approval of Bond Details. The Authorized Officers are each hereby authorized to adjust the final bond details set forth herein to the extent necessary or convenient to complete the transaction authorized herein, and in pursuance of the foregoing is authorized to exercise the authority and make the determinations authorized pursuant to Section 7a(1)(c) of Act 94, including but not limited to determinations regarding interest rates, prices, discounts, maturities, principal amounts, denominations, dates of issuance, interest payment dates, redemption rights, the place of delivery and payment, and other matters, provided that the principal amount of Series 2009 Bond issued shall not exceed the principal amount authorized in this Ordinance, the interest rate per annum on the Series 2009 Bond shall not exceed two and one-half percent (2.50%) per annum, and the Series 2009 Bond shall mature in not more than twenty (20) annual installments.

Section 19. Appointment of Bond Counsel. The representation of the Issuer by Miller, Canfield, Paddock and Stone, P.L.C. ("Miller Canfield"), as bond counsel is hereby reconfirmed and approved notwithstanding the possible representation by Miller Canfield of the Authority in connection with the Clean Water Revolving Fund program which may include advising the Authority with respect to this borrowing.

Section 20. Repeal, Savings Clause. All ordinances, resolutions or orders, or parts thereof, in conflict with the provisions of this Ordinance are, to the extent of such conflict, repealed.

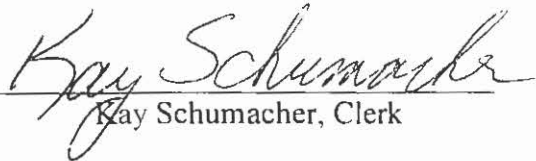
Section 21. Severability; Paragraph Headings; and Conflict. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance. The paragraph headings in this Ordinance are furnished for convenience of reference only and shall not be considered to be part of this Ordinance.

Section 22. Publication and Recordation. This Ordinance shall be published in full in the *Traverse Issuer Record-Eagle*, a newspaper of general circulation in the Issuer 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 Clerk.

Section 23. Effective Date. This Ordinance shall be effective upon its adoption and publication.

Adopted and signed this 14th day of May, 2009.

Signed   
\_\_\_\_\_  
Chuck Korn, Supervisor

Signed   
\_\_\_\_\_  
Kay Schumacher, Clerk

I hereby certify that the foregoing constitutes a true and complete copy of an Ordinance duly adopted by the Township Board of the Charter Township of Garfield, County of Grand Traverse, Michigan, at a special meeting held on May 14, 2009, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.

I further certify that the following Members were present at said meeting:  
Jeane Blood, Kit Wilson, Denise Schmuckal, Molly Agostinelli, Bob Featherstone, Chuck Korn, Kay Schumacher

and that the following Members were absent:

I further certify that Member Bob Featherstone moved adoption of said Ordinance and that said motion was supported by Member Denise Schmuckal

I further certify that the following Members voted for adoption of said Ordinance:

Jeane Blood, Kit Wilson, Denise Schmuckal, Molly Agostinelli, Bob Featherstone, Chuck Korn, Kay Schumacher

and that the following Members voted against adoption of said Ordinance:

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

  
\_\_\_\_\_  
Kay Schumacher, Clerk