

ORDINANCE NO. 61

AN ORDINANCE TO PROVIDE FOR THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF IMPROVEMENTS TO THE CHARTER TOWNSHIP OF HAMPTON SEWAGE DISPOSAL SYSTEM; 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 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 HAMPTON ORDAINS:

Section 1. Definitions. The following words and terms used in this Ordinance shall have the meanings assigned in this Section, unless the context clearly indicates otherwise.

The word "acquired," as used in this Ordinance, shall be construed to include acquisition by purchase, construction or by any other method.

"Act 94" shall mean Act 94, Public Acts of Michigan, 1933, as amended.

"Additional Bonds" shall mean additional bonds issued pursuant to Section 17 of this Ordinance.

"Bond" or "Bonds" shall mean, collectively, the Issuer's Series 2010A Bonds and Series 2010B Bonds.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Depository Bank" shall mean Chemical Bank, in Essexville, Michigan, a member of the Federal Deposit Insurance Corporation, or other financial institution qualified to serve as depository bank and designated by the Issuer.

"Engineer" shall mean Fleis & Vandenbrink Engineering, Inc., Midland, Michigan.

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

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

"Issuer" shall mean the Charter Township of Hampton, County of Bay, State of Michigan.

“Ordinance” shall mean this ordinance and any ordinance or resolution of the Issuer amendatory or supplemental to this ordinance, including ordinances or resolutions authorizing issuance of Additional Bonds.

“Project” shall mean (i) the acquisition and installation of new pumping stations and force mains necessary to connect the Issuer’s sewage disposal system to the West Bay County Regional Wastewater Treatment Plant (the “County Treatment Plant”), (ii) the acquisition of capacity in the County Treatment Plant and the acquisition and construction of the Issuer’s share of improvements to the County Treatment Plant, and (iii) related improvements to the Issuer’s sewage disposal system, including the improvement of existing pumping stations, the acquisition and installation of necessary structures, equipment and appurtenances and the acquisition of necessary interests in land, all as described in the plans and specifications prepared by the Engineer.

“Revenues” and “Net Revenues” shall mean the revenues and net revenues of the Issuer derived from the operation of the System and shall be construed as defined in Section 3 of Act 94, including with respect to “Revenues,” the earnings derived from the investment of moneys in the various funds and accounts established by this Ordinance.

“Series 2009 Note” shall mean the Issuer’s 2009 General Obligation Limited Tax Note, dated as of October 6, 2009, issued in anticipation of the issuance of the Bonds in order to pay certain costs of the Project.

“Series 2010A Bond” shall mean the Issuer’s Sewage Disposal System Revenue Bond, Series 2010A (Limited Tax General Obligation), in the principal amount of \$7,624,000, authorized to be issued pursuant to this Ordinance.

“Series 2010B Bond” shall mean the Issuer’s Sewage Disposal System Revenue Bond, Series 2010B (Limited Tax General Obligation), in the principal amount of \$5,600,000, authorized to be issued pursuant to this Ordinance.

“System” shall mean the Issuer’s sewage disposal system 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.

“Transfer Agent” shall mean the transfer agent and bond registrar for the Bonds as appointed from time to time by the Issuer as provided in Section 6 of this Ordinance and who or which shall carry out the duties and responsibilities as set forth in Sections 6 and 7 of this Ordinance.

Section 2. Establishment of System; Necessity; Approval of Plans and Specifications.
The Issuer hereby reconfirms the establishment of the System as a “public improvement” under and as defined in Act 94.

It is hereby determined to be a necessary public purpose of the Issuer to acquire and construct the Project in accordance with the plans and specifications prepared by the Issuer’s Engineer and on file with the Issuer, which plans and specifications are hereby approved.

Section 3. Costs; Useful Life. The total cost of the Issuer's share of the Project is estimated to be Eighteen Million Dollars (\$18,000,000) including the payment of incidental expenses as specified in Section 4 of this Ordinance, which estimate of cost is hereby approved and confirmed, and the period of usefulness of the Project is estimated to be not less than forty (40) years.

Section 4. Payment of Costs; Bonds Authorized. To pay part of the cost of acquiring and constructing the Project, and legal, engineering, financial and other expenses incident to said acquisition and construction, including capitalized interest on the Bonds during the period of construction of the Project and the payoff of all or a portion of the Issuer's Series 2009 Note, and expenses incident to the issuance and sale of the Bonds, it is hereby determined that the Issuer borrow the sum of Thirteen Million Two Hundred Twenty-Four Thousand Dollars (\$13,224,000) and that revenue bonds be issued therefor in two separate series pursuant to the provisions of Act 94. The remaining costs of the Project shall be defrayed from grant funds and Issuer funds on hand and legally available for such use.

Section 5A. Series 2010A Bond Details. The Series 2010A Bond shall be designated "SEWAGE DISPOSAL SYSTEM REVENUE BOND, SERIES 2010A (LIMITED TAX GENERAL OBLIGATION)" (or such other designation as may be approved by the Township Supervisor), shall be dated as of the date of delivery of the first delivery installment (hereinafter defined), shall consist of one fully-registered nonconvertible bond of the denomination of \$7,624,000 and shall be payable in principal installments serially on March 1 of each year, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2011	\$ 90,000	2031	\$180,000
2012	93,000	2032	186,000
2013	97,000	2033	192,000
2014	100,000	2034	199,000
2015	103,000	2035	206,000
2016	107,000	2036	213,000
2017	111,000	2037	220,000
2018	115,000	2038	228,000
2019	119,000	2039	236,000
2020	123,000	2040	244,000
2021	128,000	2041	253,000
2022	132,000	2042	262,000
2023	136,000	2043	271,000
2024	141,000	2044	281,000
2025	146,000	2045	291,000
2026	151,000	2046	300,000
2027	156,000	2047	311,000
2028	162,000	2048	322,000
2029	168,000	2049	333,000
2030	174,000	2050	344,000

The Township Supervisor is authorized to decrease the aggregate principal amount of the Series 2010A Bond and/or change the payment dates and the amounts of any of the foregoing installments if it is in the best interests of the Issuer, provided that the final principal payment of the Series 2010A Bond shall be due and payable within forty (40) years of the date of issuance of the Series 2010A Bond.

Section 5B. Series 2010B Bond Details. The Series 2010B Bond shall be designated "SEWAGE DISPOSAL SYSTEM REVENUE BOND, SERIES 2010B (LIMITED TAX GENERAL OBLIGATION)" (or such other designation as may be approved by the Township Supervisor), shall be dated as of the date of delivery of the first delivery installment (hereinafter defined), shall consist of one fully-registered nonconvertible bond of the denomination of \$5,600,000 and shall be payable in principal installments serially on March 1 of each year, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2011	\$ 66,000	2031	\$131,000
2012	69,000	2032	136,000
2013	71,000	2033	141,000
2014	73,000	2034	146,000
2015	76,000	2035	151,000
2016	79,000	2036	157,000
2017	81,000	2037	163,000
2018	84,000	2038	168,000
2019	87,000	2039	174,000
2020	90,000	2040	180,000
2021	93,000	2041	186,000
2022	96,000	2042	192,000
2023	100,000	2043	199,000
2024	104,000	2044	206,000
2025	107,000	2045	213,000
2026	111,000	2046	221,000
2027	115,000	2047	229,000
2028	119,000	2048	237,000
2029	123,000	2049	245,000
2030	127,000	2050	254,000

The Township Supervisor is authorized to decrease the aggregate principal amount of the Series 2010B Bond and/or change the payment dates and the amounts of any of the foregoing installments if it is in the best interests of the Issuer, provided that the final principal payment of the Series 2010B Bond shall be due and payable within forty (40) years of the date of issuance of the Series 2010B Bond.

Section 5C. Bond Details. The Bonds are expected to be delivered to the Government as initial purchaser thereof in installments (the "delivery installments") and each delivery installment shall be noted on the registration grid set forth on the respective Bonds. The delivery installments shall be deemed to correspond to the serial principal installments of the respective Bonds in direct chronological order of said serial principal installments.

The serial principal installments of the Bonds will each bear interest from the date of delivery of the corresponding delivery installment to the registered holder thereof as shown on the registration grids set forth on the Bonds at the rate of not to exceed three and one-half percent (3.50%) per annum, payable on the first March 1 or September 1 following the date of delivery of said delivery installment, and semiannually thereafter on March 1 and September 1 of each year until maturity or earlier prepayment of said installment, or such other dates as shall be determined by the Township Supervisor at the time the first delivery installment is delivered to the Government. Acceptance of the interest rate on the Bonds shall be made by execution of the Bonds which so designates the rate specified by the Government and accepted in writing by the Issuer. The Bonds shall be issued in fully-registered form and neither series of the Bonds shall be convertible or exchangeable into more than one fully-registered bond.

The Bonds or installments thereof will be subject to prepayment prior to maturity in the manner and at the times specified in the form of the Bonds set forth in Section 9 of this Ordinance.

Section 6. Bond Registration and Transfer. The Transfer Agent shall keep or cause to be kept at its principal office sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Issuer. The Transfer Agent shall transfer or cause to be transferred on said books any Bond presented for transfer, as hereinafter provided and subject to such reasonable regulations as it may prescribe.

The Bonds may be transferred upon the books required to be kept by the Transfer Agent pursuant to this Section, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of the Bonds for transfer, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Transfer Agent. Whenever any Bond shall be surrendered for transfer, the Transfer Agent shall record such transfer on the registration books and shall register such transfer on the registration grid attached to the Bond. At the time of such transfer the Transfer Agent shall note on the Bond the outstanding principal amount thereof at the time of such transfer. The Transfer Agent shall require the payment by the bondholder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer. The Issuer shall not be required (i) to issue, register the transfer of, or exchange any Bond during a period beginning at the opening of business fifteen days before the day of the mailing of a notice of prepayment of the Bond or installments thereof selected for redemption and ending at the close of business on the day of that mailing, or (ii) to register the transfer of or exchange the Bond or portion thereof so selected for prepayment. In the event the Bond is called for prepayment in part, the Transfer Agent 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.

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

Section 7. Payment of the Bonds. Principal of and interest on the Bonds shall be payable in lawful money of the United States of America by check or draft mailed by the Transfer Agent to the registered owner at the address of the registered owner as shown on the registration books of the Issuer kept by the Transfer Agent. If the Government shall no longer be the registered owner of the Bonds, then the principal of and interest on the Bonds shall be payable to the registered owner of record as of the fifteenth day of the month preceding the payment date by check or draft mailed to the registered owner at the registered address. Such date of determination of the registered owner for purposes of payment of principal or interest may be changed by the Issuer to conform to future market practice. The Treasurer of the Issuer is hereby authorized to execute an agreement with any successor Transfer Agent.

The Transfer Agent shall record on the registration books the payment by the Issuer of each installment of principal or interest or both on the Bonds when made and the canceled checks or drafts representing such payments shall be returned to and retained by the Treasurer of the Issuer, which canceled checks or drafts shall be conclusive evidence of such payments and the obligation of the Issuer with respect to such payments shall be discharged to the extent of such payments.

Upon payment by the Issuer of all outstanding principal of and interest on a series of the Bonds, the registered owner thereof shall deliver the Bond of such series to the Issuer for cancellation.

The Township Supervisor and Township Clerk are each hereby authorized and directed to negotiate privately the sale of the Bonds to the Government at an interest rate not to exceed three and one-half percent (3.50%) per annum.

The sale of the Bonds to the Government at an interest rate of not to exceed three and one-half percent (3.50%) per annum and at the par value thereof is hereby approved. The Treasurer of the Issuer is hereby authorized to deliver the Bonds in accordance with the delivery instructions of the Government.

Section 8. Execution and Delivery of the Bonds. The Bonds shall be manually signed by the Township Supervisor and countersigned by the Township Clerk and shall have the corporate seal of the Issuer impressed thereon. After execution, the Bonds shall be held by the Treasurer of the Issuer for delivery to the Government. No Bond or any installment thereof shall be valid until registered by the Treasurer of the Issuer or by another person designated in writing by the Treasurer to act as Bond Registrar, or upon transfer by the Government and thereafter, by an authorized representative of the Transfer Agent.

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

REGISTERED

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF BAY

CHARTER TOWNSHIP OF HAMPTON
SEWAGE DISPOSAL SYSTEM REVENUE BOND, SERIES 2010[A][B]
(LIMITED TAX GENERAL OBLIGATION)

No. R-1

\$ _____

The Charter Township of Hampton, County of Bay, State of Michigan (the "Issuer"), for value received, hereby promises to pay to the registered owner hereof, out of the hereinafter described Net Revenues of the Issuer's sewage disposal system, including all appurtenances, additions, extensions and improvements thereto (the "System"), the sum of

_____ Dollars

on the dates and in the principal installment amounts set forth in Exhibit A attached hereto and made a part hereof with interest on said installments from the date each installment is delivered to the Issuer and as set forth on the registration grid hereon until paid at the rate of _____ percent (____%) per annum, first payable on _____ 1, 2010, and semiannually thereafter; provided that the principal repayments required herein to the registered owner shall not exceed the total of the principal installments set forth on the registration grid attached hereto from time to time hereafter to acknowledge receipt of payment of the purchase price of this bond up to a total of \$ _____. Both principal of and interest on this bond are payable in lawful money of the United States of America to the registered owner at the address shown on the Issuer's registration books by check or draft mailed to the registered holder at the address shown on the registration books of the Issuer, and for the prompt payment thereof, the revenues of the System, after provision has been made for reasonable and necessary expenses of operation, administration and maintenance thereof (the "Net Revenues"), are hereby irrevocably pledged and a statutory first lien thereon is hereby recognized and created.

This bond is a single, fully-registered, non-convertible bond constituting an issue in the total aggregate principal sum of \$ _____, issued pursuant to Ordinance ____ (the "Ordinance"), and under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 94, Public Acts of Michigan, 1933, as amended, for the purpose of acquiring and constructing improvements to the System, as described in the Ordinance. For a complete statement of the revenues from which, and the conditions under which, this bond is payable, a statement of the conditions under which additional bonds of equal standing as to the Net Revenues may hereafter be issued, and the general covenants and provisions pursuant to which this bond is issued, reference is made to the Ordinance.

The Issuer has reserved the right to issue additional bonds of equal standing with this bond on conditions stated in the Ordinance.

Principal installments of this bond are subject to prepayment prior to maturity, in inverse chronological order, at the Issuer's option, on any date on or after March 1, 2011, at par and accrued interest to the date fixed for prepayment.

Thirty days notice of the call of any principal installments for prepayment shall be given by mail to the registered owner at the registered address. The principal installments so called for prepayment shall not bear interest after the date fixed for prepayment, provided funds are on hand to prepay said installments.

This bond is primarily a self-liquidating bond and is payable, both as to principal and interest, from the Net Revenues of the System. The principal of and interest on this bond is secured by the statutory first lien hereinbefore mentioned. As additional security for the payment of the principal of and interest on this bond, the Issuer, pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended, has pledged its full faith and credit for the prompt payment of the principal of and interest hereon. Pursuant to such pledge, if for any reason the Net Revenues of the System are not sufficient to pay the principal of and interest on this bond as the same shall become due, this bond, including the interest hereon, is payable as a first budget obligation from the general funds of the Issuer, and the Issuer is required, if necessary, to levy ad valorem taxes on all taxable property in the Issuer for the payment thereof, subject to applicable constitutional, statutory and charter tax rate limitations.

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

This bond shall be registered as to principal and interest on the books of the Issuer kept by the Treasurer of the Issuer or successor or written designee as bond registrar and transfer agent (the "Transfer Agent") and noted hereon, after which it shall be transferable only upon presentation to the Transfer Agent with a written transfer by the registered owner or his attorney in fact. Such transfer shall be noted hereon and upon the books of the Issuer kept for that purpose by the Transfer Agent.

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 Hampton, County of Bay, State of Michigan, by its Township Board, has caused this bond to be signed in its name by its Township Supervisor and to be countersigned by its Township Clerk, and its corporate seal to be hereunto affixed, all as of _____, 2010.

CHARTER TOWNSHIP OF HAMPTON

By _____
Its Supervisor

(Seal)

Countersigned:

Its Township Clerk

REGISTRATION
NOTHING TO BE WRITTEN HEREON EXCEPT

BY THE BOND REGISTRAR/TRANSFER AGENT

Date of Registration of Delivery	Name of Registered Owner	Principal Installment Delivered	Signature of Bond Registrar/ Transfer Agent
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		
	United States of America		

EXHIBIT A

(For the Series 2010A Bond)

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2011	\$ 90,000	2031	\$180,000
2012	93,000	2032	186,000
2013	97,000	2033	192,000
2014	100,000	2034	199,000
2015	103,000	2035	206,000
2016	107,000	2036	213,000
2017	111,000	2037	220,000
2018	115,000	2038	228,000
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2020	123,000	2040	244,000
2021	128,000	2041	253,000
2022	132,000	2042	262,000
2023	136,000	2043	271,000
2024	141,000	2044	281,000
2025	146,000	2045	291,000
2026	151,000	2046	300,000
2027	156,000	2047	311,000
2028	162,000	2048	322,000
2029	168,000	2049	333,000
2030	174,000	2050	344,000

EXHIBIT A

(For the Series 2010B Bond)

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2011	\$ 66,000	2031	\$131,000
2012	69,000	2032	136,000
2013	71,000	2033	141,000
2014	73,000	2034	146,000
2015	76,000	2035	151,000
2016	79,000	2036	157,000
2017	81,000	2037	163,000
2018	84,000	2038	168,000
2019	87,000	2039	174,000
2020	90,000	2040	180,000
2021	93,000	2041	186,000
2022	96,000	2042	192,000
2023	100,000	2043	199,000
2024	104,000	2044	206,000
2025	107,000	2045	213,000
2026	111,000	2046	221,000
2027	115,000	2047	229,000
2028	119,000	2048	237,000
2029	123,000	2049	245,000
2030	127,000	2050	254,000

Section 10. Security for Bonds. To pay the principal of and interest on the Bonds as and when the same shall become due, there is hereby created a statutory lien upon the whole of the Net Revenues of the System, which shall be a first lien, to continue until the payment in full of the principal of and interest on the Bonds and said Net Revenues shall be set aside for the purpose and identified as the Bond and Interest Redemption Account, as hereinafter specified.

As additional security for the payment of the principal of and interest on the Bonds, the Issuer hereby pledges its limited tax full faith and credit for the payment of the principal of and interest on the Bonds. If the Net Revenues of the System are at any time insufficient to pay the principal of and interest on the Bonds as the same become due, the Issuer shall pay the amount of the insufficiency from its general funds as a first budget obligation. The Issuer is obligated, to the extent necessary, to levy ad valorem taxes on all taxable property in the Issuer for such purpose, subject to applicable constitutional, statutory and charter tax rate limitations. The Issuer shall be reimbursed for any such payment from the Net Revenues of the System subsequently received that are not otherwise pledged or encumbered. The foregoing limited tax full faith and credit pledge is made pursuant to the authority conferred by Section 7 of Act 94, since more than 25% of the cost of the Project is to be financed with the proceeds of grant funds to be received by the Issuer.

Section 11. Budget. Immediately upon the effective date of this Ordinance for the remainder of the current Fiscal Year, and thereafter prior to the beginning of each Fiscal Year, the Issuer shall prepare an annual budget for the System for the ensuing Fiscal Year itemized on the basis of monthly requirements. A copy of such budget shall be mailed to the Government without request from the Government for review prior to adoption (as long as the Government is the registered owner of the Bonds), and upon written request to any other registered owners of the Bonds.

Section 12. Custodian of Funds; Funds. The Treasurer of the Issuer shall be the custodian of all funds belonging to or associated with the System and such funds shall be deposited in the Depository Bank. The Treasurer of the Issuer shall execute a fidelity bond with a surety company in an amount at least equal to the minimum amount required by the Government.

The Treasurer of the Issuer is hereby directed to create and maintain a SEWAGE DISPOSAL SYSTEM FUND, with the following accounts, into which the proceeds of the Bonds and the Revenues from the System shall be deposited in the manner and at the times provided in this Ordinance, which accounts shall be established and maintained, except as otherwise provided, so long as the Bonds hereby authorized remain unpaid.

(A) CONSTRUCTION ACCOUNT. The proceeds of the Bonds hereby authorized (excepting proceeds for capitalized interest), and no other funds, shall be deposited in the 2010 SEWAGE DISPOSAL SYSTEM CONSTRUCTION ACCOUNT (the "Construction Account"), in the Depository Bank. Moneys in the Construction Account shall be used solely for the purposes for which the Bonds are issued. If monies other than proceeds of the Bonds is deposited into the Construction Account, then the monies constituting proceeds of the Bonds shall be accounted separately from such other funds or monies.

Any unexpended balance of the proceeds of sale of the Bonds remaining after completion of the Project herein authorized may in the discretion of the Issuer be used for further improvements, enlargements or extensions to the System, provided that at the time of such expenditure such use be approved by the Department of Treasury (if such approval is then required by law). Any remaining balance after such expenditures shall be paid into the Bond and Interest Redemption Account and used as soon as is practical for the prepayment of installments of the Bonds. Following completion of the Project, any unexpended balance of the Bonds shall be invested at a yield not to exceed the yield on the Bonds.

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

(B) **SEWAGE DISPOSAL SYSTEM RECEIVING ACCOUNT.** Upon and after the effective date of this Ordinance, the Revenues of the System shall be set aside into a separate account to be designated the SEWAGE DISPOSAL SYSTEM RECEIVING ACCOUNT (the "Receiving Account"), and moneys so deposited therein shall be transferred, expended and used only in the manner and order as follows:

(1) Operation and Maintenance Account. There is hereby established a separate account to be designated the OPERATION AND MAINTENANCE ACCOUNT (the "Operation and Maintenance Account"). Revenues shall be transferred each quarter of the Fiscal Year, commencing upon the effective date of this Ordinance, from the Receiving Account to the Operation and Maintenance Account to pay the reasonable and necessary current expenses of administration and operating and maintaining the System for the ensuing quarter.

(2) Sewage Disposal System Revenue Bonds - Bond and Interest Redemption Account. There is hereby established a separate account to be designated as the SEWAGE DISPOSAL SYSTEM REVENUE BONDS - BOND AND INTEREST REDEMPTION ACCOUNT (the "Bond and Interest Redemption Account"). From the proceeds of the Bonds there shall be deposited in the Bond and Interest Redemption Account the amount of not to exceed \$375,000, representing capitalized interest on the Bonds until the Project is generating Net Revenues sufficient to pay interest on the Bonds when due. After the transfer required in (1) above, Revenues shall be transferred each quarter of the Fiscal Year from the Receiving Account, before any other expenditures or transfer therefrom, and deposited in the Bond and Interest Redemption Account for payment of principal of and interest on the Bonds in the amounts and at the times specified below.

Upon any delivery of an installment of the Bonds there shall be set aside at the time of delivery and on the first day of each quarter of the Fiscal Year thereafter to the next interest payment date an amount equal to that fraction of the amount of interest due on the next interest payment date on said installment so delivered, the numerator of which is 1 and the denominator of which is the number of full and partial Fiscal Year quarters from the date of said delivery to the next interest payment date. There also shall be set aside each Fiscal Year quarter on or after the delivery of the first principal installment an amount not less than 1/2 of the amount of interest due on the next interest payment date on all outstanding installments of the Bonds not delivered during the then current interest payment period. Notwithstanding the foregoing, the Issuer shall

not be required to set aside monies to pay interest on the Bonds to the extent proceeds of the Bonds representing capitalized interest are available for payment of interest on the Bonds.

Commencing upon the delivery of the first delivery installment of the Bonds, there shall be set aside at the time of such delivery and on the first day of each quarter of the Fiscal Year thereafter to the next principal payment date, an amount equal to that fraction of the amount of principal due on the next principal payment date on said installment so delivered, the numerator of which is 1 and the denominator of which is the number of full and partial Fiscal Year quarters from the date of said delivery to the next principal payment date. There shall also be set aside each Fiscal Year quarter on or after the first day of the Fiscal Year quarter after payment of the first principal installment of the Bonds, an amount not less than 1/4 of the amount of principal due on the next principal payment date. Except as hereinafter provided, no further deposits shall be made into the Bond and Interest Redemption Account once the aforesaid sums have been deposited therein. Any amount on deposit in the Bond and Interest Redemption Account in excess of (a) the amount needed for payment of principal installments of the Bonds for the then current principal payment period, plus (b) interest on the Bonds for the then current interest payment period, shall be used by the Issuer for redemption of principal installments of the Bonds in the manner specified in the form of the Bonds set forth in Section 9 hereof, or if such use is impracticable, shall be deposited in or credited to the Receiving Account.

If for any reason there is a failure to make such quarterly deposit in the amounts required, then the entire amount of the deficiency shall be set aside and deposited in the Bond and Interest Redemption Account out of the Revenues first received thereafter which are not required by this Ordinance to be deposited in the Operation and Maintenance Account or in the Bond and Interest Redemption Account, which amount shall be in addition to the regular quarterly deposit required during such succeeding quarter or quarters.

No further payments need be made into the Bond and Interest Redemption Account after enough of the principal installments of the Bonds have been retired so that the amount then held in the Bond and Interest Redemption Account is equal to the entire amount of principal and interest which will be payable at the time of maturity of all the principal installments of the Bonds then remaining outstanding.

The moneys in the Bond and Interest 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.

(3) Repair, Replacement and Improvement Account. There is hereby established a separate account designated REPAIR, REPLACEMENT AND IMPROVEMENT ACCOUNT (the "RRI Account"). After the transfers required in (1) and (2) above, and so long as any principal installments of the Bonds remain outstanding, commencing January 1, 2011, revenues shall be transferred each Fiscal Year quarter from the Receiving Account and deposited in the RRI Account in an amount not less than \$17,500 (\$70,000 annually). Moneys in the RRI Account shall be used and disbursed only for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the System, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the System, (c) acquiring and constructing extensions and improvements to the System and (d) when necessary, for the purpose of making

payment of principal and interest on the Bonds. If the amount in the Bond and Interest Redemption Account is not sufficient to pay the principal of and interest on the Bonds when due, the moneys in the RRI Account shall be transferred to the Bond and Interest Redemption Account and used for that purpose. Moneys in the RRI Account may be invested in accordance with Section 13 of this Ordinance.

(4) Reverse Flow of Funds; Surplus Money. In the event the moneys in the Receiving Account are insufficient to provide for the current requirements of the Operation and Maintenance Account, the Bond and Interest Redemption Account or the RRI Account, any moneys and/or securities in the funds of the System described by this Ordinance shall be transferred, first, to the Operation and Maintenance Account, second, to the Bond and Interest Redemption Account, and third, to the RRI Account.

All moneys remaining in the Receiving Account at the end of any Fiscal Year after satisfying the above requirements for the deposit of moneys into the Operation and Maintenance Account, the Bond and Interest Redemption Account and the RRI Account may be transferred to the Bond and Interest Redemption Account and used to call the Bonds or portions thereof for redemption, or at the option of the Issuer, transferred to the RRI Account and used for the purpose for which the account was established; provided, however, that if there should be a deficit in the Operation and Maintenance Account, the Bond and Interest Redemption Account or the RRI Account, on account of defaults in setting aside therein the amounts hereinbefore required, then transfers shall be made from such moneys remaining in the Receiving Account to such accounts in the priority and order named in this Section, to the extent of such deficits.

Section 13. Investments. Moneys in the funds and accounts established herein and moneys derived from the proceeds of sale of the Bonds may be invested by the legislative body of the Issuer on behalf of the Issuer in the obligations and instruments permitted for investment by Section 24 of Act 94, as the same may be amended from time to time; provided, however, that as long as the Bonds are held by the Government, then the investment may be limited to the obligations and instruments authorized by the Government. Investment of moneys in the Bond and Interest Redemption Account being accumulated for payment on the next maturing principal or interest payment on the Bonds shall be limited to obligations and instruments bearing maturity dates prior to the date of the next maturing principal or interest payment on the Bonds. In the event investments are made, any securities representing the same shall be kept on deposit with the Depository Bank. Interest income earned on investment of funds in the Receiving Account, the Operation and Maintenance Account and the Bond and Interest Redemption Account shall be deposited in or credited to the Receiving Account.

Section 14. Rates and Charges. Rates and charges for the services of the System have been fixed by ordinance in an amount sufficient to pay the costs of operating, maintaining and administering the System, to pay the principal of and interest on the Bonds and to meet the requirements for repair, replacement, reconstruction and improvement and all other requirements provided herein, and otherwise comply with the covenants herein provided. The Issuer hereby covenants and agrees to fix and maintain at all times while the Bonds shall be outstanding such rates for service furnished by the System as shall be sufficient to provide for the foregoing expenses, requirements and covenants, and to create a bond and interest redemption account for the Bonds. The rates and charges for all services and facilities rendered by the System shall be

reasonable and just, taking into consideration the cost and value of the System and the cost of maintaining, repairing, and operating the same and the amounts necessary for the retirement of the Bonds, and accruing interest on the Bonds, and there shall be charged such rates and charges as shall be adequate to meet the requirements of this Section and Section 12 of this Ordinance.

Section 15. No Free Service. No free service shall be furnished by the System to any individual, firm or corporation, public or private or to any public agency or instrumentality.

Section 16. Covenants. The Issuer covenants and agrees, so long as any of the Bonds hereby authorized remain unpaid, as follows:

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

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

(ii) It will cause an annual audit of such books of record and account for the preceding Fiscal Year to be made each year by a recognized independent certified public accountant, and will cause such accountant to mail a copy of such audit to the Government, without request of the Government. Such audit shall be completed and so made available not later than one hundred eighty (180) days after the close of each Fiscal Year.

(c) It will maintain and carry, for the benefit of the holders of the Bonds, insurance on all physical properties of the System, of the kinds and in the amounts normally carried by municipalities engaged in the operation of similar systems. The amount of said insurance shall be acceptable to the Government. All moneys received for losses under any such insurance policies shall be applied solely to the replacement and restoration of the property damaged or destroyed, and to the extent not so used, shall be used for the purpose of calling principal installments of the Bonds.

(d) Except as otherwise provided in Section 17, it will not borrow any money from any source or enter into any contract or agreement to incur any other liabilities that may in any way be a lien upon the Revenues or otherwise encumber the System so as to impair Revenues therefrom, without obtaining the prior written consent of the Government, nor shall it transfer or use any portion of the Revenues derived in the operation of the System for any purpose not herein specifically authorized.

(e) It will not voluntarily dispose of or transfer its title to the System or any part thereof, including lands and interest in land, sale, mortgage, lease or other encumbrances, without obtaining the prior written consent of the Government.

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

Section 17. Additional Bonds. The Issuer may issue Additional Bonds of equal standing with the Bonds as to the lien on Net Revenues for the following purposes and on the following conditions:

(a) To complete construction of the Project according to the plans referred to in Section 1, Additional Bonds may be issued in the amount necessary therefor.

(b) For the purpose of making enlargements, extensions or improvements to the System or refunding the Bonds or any Additional Bonds of equal standing with the Bonds if:

(i) The augmented net revenues (hereinafter defined) of the System for the Fiscal Year preceding the year in which such Additional Bonds are to be issued were 100 percent of the average annual debt service requirements on the Bonds and any bonds of equal standing then outstanding and those proposed to be issued, net of any bonds to be refunded by the new issue; or

(ii) The holders of at least 75 percent of the outstanding aggregate principal amount of the Bonds consent to such issue in writing.

For purposes of this Section, the term "augmented net revenues" shall mean the Net Revenues of the System for a year, adjusted to reflect the effect of any rate increase placed in effect during that year (but not in effect for the whole year), placed in effect subsequent to the year or scheduled, at the time the new bond is authorized, to be placed in effect before principal of and interest on the new bond become payable from Revenues of the System, and augmented by any increase in Revenues or decrease in expenses estimated to accrue from the improvements to be acquired from the new bond. The adjustments and augmentations provided for in the preceding sentence shall be established by certificate of an independent consulting engineer filed with the Township Clerk. If a new bond is issued within 4 months of the end of a Fiscal Year, the determination made in subsection (b)(i) of this Section may be based upon the results of a Fiscal Year ending within 16 months of the date of issuance of the new bond.

The funds herein established shall be applied to all Additional Bonds issued pursuant to this Section as if said bonds were part of the original Bond issue and all Revenues from any such extension or replacement constructed by the proceeds of any Additional Bonds shall be paid to the Receiving Account mentioned in this Ordinance.

Except as otherwise specifically provided herein, so long as the Bonds herein authorized are outstanding, no bonds or other obligations pledging any portion of the Revenues of the System shall be incurred or issued by the Issuer unless the same shall be junior and subordinate in all respects to the Bonds herein authorized.

Section 18. Ordinance Shall Constitute Contract. The provisions of this Ordinance shall constitute a contract between the Issuer and the bondholders and after the issuance of the Bonds

this Ordinance shall not be repealed or amended in any respect which will adversely affect the rights and interests of the holders of the Bonds without the consent of such holders, nor shall the Issuer adopt any law, ordinance or resolution in any way adversely affecting the rights of the holders so long as the Bonds or interest thereon remains unpaid.

Section 19. Refunding of Bonds. If at any time it shall appear to the Government that the Issuer is able to refund upon call for redemption or with consent of the Government the then outstanding Bonds by obtaining a loan for such purposes from responsible cooperative or private credit sources at reasonable rates and terms for loans for similar purposes and periods of time, the Issuer will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government, and will take all such actions as may be required in connection with such loans.

Section 20. Default of Issuer. If there shall be default in the Bond and Interest Redemption Account, provisions of this Ordinance or in the payment of principal of or interest on the Bonds, upon the filing of a suit by the holders of not less than 20 percent of the outstanding aggregate principal amount of the Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Issuer with power to charge and collect rates sufficient to provide for the payment of the Bonds and for the payment of operation, maintenance and administrative expenses and to apply Revenues in accordance with this Ordinance and the laws of the State of Michigan.

The Issuer hereby agrees to transfer to any bona fide receiver or other subsequent operator of the System, pursuant to any valid court order in a proceeding brought to enforce collection or payment of the Issuer's obligations, all contracts and other rights of the Issuer, conditionally, for such time only as such receiver or operation shall operate by authority of the court.

The holders of not less than 20 percent of the then outstanding aggregate principal amount of the Bonds in the event of default may require by mandatory injunction the raising of rates in a reasonable amount.

Section 21. Ordinance Subject to Michigan Law and Government Regulations. The provisions of this Ordinance are subject to the laws of the State of Michigan and to the present and future regulations of the Government not inconsistent with the express provisions hereof and Michigan law.

Section 22. Fiscal Year of System. The fiscal year for operating the System shall be the Fiscal Year.

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

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

Section 25. Certain Determinations. The Township Supervisor and Township Clerk are each hereby individually authorized to adjust the final Bond details set forth herein to the extent necessary or convenient to complete the transactions authorized herein, and in pursuance of the foregoing each 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 aggregate principal amount of Bonds issued hereunder shall not exceed \$13,224,000, the interest rate on the Bonds shall not exceed three and one-half percent (3.50%) per annum and the final principal payment of the Bonds shall be due and payable within forty (40) years of the date of issuance of the Bonds.

The Township Supervisor and Township Clerk are authorized to confirm the final terms and details of the Bonds by the execution of the Bonds.

Section 26. Build America Bonds. The Township Supervisor and Township Clerk are each hereby individually authorized, if determined by either of such officers to be in the best interests of the Issuer, to designate the Bonds as "Build America Bonds" under Section 54AA of the Code, pursuant to which the Issuer may be entitled to receive refundable tax credits from the United States Treasury ("Build America Bonds"). If the Bonds are to be issued as Build America Bonds, the Township Supervisor and Township Clerk are each hereby individually authorized to make any election (revocable or irrevocable) required by the Code or any regulations promulgated thereunder in connection with the issuance of the Bonds as Build America Bonds.

If the Bonds are issued as Build America Bonds, the Township Supervisor, Township Clerk and Township Treasurer are each individually authorized to take all other actions necessary or advisable, and to make such filings with any parties, including the Internal Revenue Service, to request the payment of the appropriate refundable tax credits from the United States Treasury. Any refundable tax credit payments received by the Issuer from the United States Treasury on Bonds issued as Build America Bonds shall constitute Revenues of the System for all purposes of this Ordinance and of Act 94, and shall be deposited to the Receiving Account established pursuant to this Ordinance if and when received.

Section 27. Negotiated Sale to the Government. The Issuer has considered the option of selling the Bonds through a competitive sale and a negotiated sale and determines to sell the Bonds to the Government at a negotiated sale in order to obtain terms not generally available from conventional municipal bond market sources and for the opportunities provided by a negotiated sale to the Government to select and adjust the terms of the Bonds, including the prepayment of the principal of the Bonds at any time without premium.

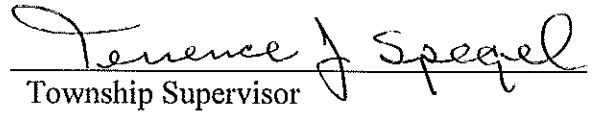
Section 28. Conflict and Severability. All ordinances, resolutions and orders or parts thereof in conflict with the provisions of this Ordinance are to the extent of such conflict hereby repealed, and each section of this Ordinance and each subdivision of any section hereof is hereby declared to be independent, and the finding or holding of any section or subdivision thereof to be invalid or void shall not be deemed or held to affect the validity of any other section or subdivision of this Ordinance.

Section 29. 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 30. Publication and Recordation. This Ordinance shall be published in full in *The Bay City Democrat*, a newspaper of general circulation in the Issuer, qualified under State law to publish legal notices, promptly after its adoption, and the same shall be recorded in the Ordinance Book of the Issuer and such recording authenticated by the signatures of the Township Supervisor and the Township Clerk.

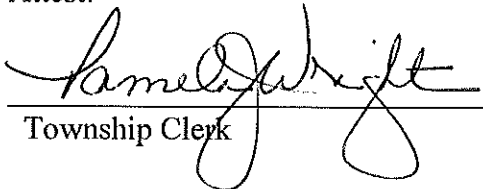
Section 31. Effective Date. This Ordinance is hereby determined by the Township Board to be immediately necessary for the preservation of the peace, health and safety of the Issuer and shall be in full force and effect from and after its passage and publication as required by law.

Passed and adopted by the Charter Township of Hampton, County of Bay, State of Michigan, on March 16, 2010.


Township Supervisor

(Seal)

Attest:


Township Clerk