

TOWNSHIP OF IRON RIVER ORDINANCE NO. 18

AN ORDINANCE AUTHORIZING THE ISSUANCE OF SEWAGE DISPOSAL SYSTEM REVENUE BONDS BY THE TOWNSHIP OF IRON RIVER, COUNTY OF IRON, MICHIGAN, FOR THE PURPOSE OF CONSTRUCTING A SEWAGE DISPOSAL SYSTEM FOR SAID TOWNSHIP; PRESCRIBING THE FORM OF BONDS; PROVIDING FOR THE COLLECTION OF REVENUE FROM SAID SYSTEM SUFFICIENT FOR THE PURPOSE OF PAYING THE COSTS OF OPERATION AND MAINTENANCE THEREOF; PROVIDING FOR THE PAYMENT OF SAID BONDS; PROVIDING AN ADEQUATE RESERVE FUND THEREFOR; PROVIDING FOR THE SEGREGATION AND DISTRIBUTION OF SAID REVENUES; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID BONDS IN ENFORCEMENT THEREOF; AND PROVIDING FOR OTHER MATTERS RELATIVE TO SAID BONDS AND SAID SYSTEM.

THE TOWNSHIP OF IRON RIVER ORDAINS:

SECTION 1. Definitions

The following words and terms used in the Ordinance shall have the meanings assigned in the preamble to this Ordinance and 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 Bonds issued pursuant to Section 16, and subject to the terms, of this Ordinance.

"Bonds" shall mean the First Series Bond and Additional Bonds.

"Department of Treasury" shall mean the Department of Treasury of the State of Michigan.

"Depository Bank" shall mean the Miners State Bank, in Iron River, Michigan, a member of the Federal Deposit Insurance Corporation.

"Engineer" shall mean General Engineering Company, Inc., consulting engineers of Portage, Wisconsin.

"First Series Bond" shall mean the \$357,000 principal amount Sewage Disposal System Revenue Bond authorized to be issued under Section 4 of this Ordinance

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

"FmHA" shall mean the Farmers Home Administration, an agency of the United States Department of Agriculture. Provisions herein referencing the FmHA shall be inapplicable in the event the First Series Bond is not sold to the FmHA and in the event the Government shall no

longer be a holder of any of the Bonds.

"Government" shall mean the government of the United States of America.

"Issuer" or "Township" or "Township of Iron River" shall mean the Township of Iron River, County of Iron, Michigan.

"Net Revenues" shall have the meaning with respect to the System as is set forth in Section 3 of Act 94.

"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 a sewage disposal system consisting generally of sanitary sewers, lift stations, forcemain and metering station, together with the necessary appurtenances and attachments thereto.

The words "public improvements," as used in this Ordinance, shall be understood to mean the public improvements, as defined in Section 3 of Act 94, which are authorized to be acquired and constructed under the provisions of this Ordinance.

"Revenues" shall have the meaning with respect to the System as is set forth in Section 3 of Act 94, and shall include the earnings on the investment of funds of the System (including the Project).

"System" means 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 each series of 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 Section 6 of this Ordinance.

SECTION 2. Necessity

Description of Project. It is hereby determined to be necessary for the public health and welfare of the Issuer to proceed to acquire and construct the Project in accordance with detailed maps, plans and specifications therefor prepared by the Engineer.

SECTION 3. Cost, Useful Life

The cost of the Project has been estimated by the Engineer to be one million nine hundred and fifty thousand Dollars (\$1,950,000.00), 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 Cost

To pay part of the cost of acquiring and constructing the Project, including the payment of legal, engineering and financial expense, approximately 20 months capitalized interest, and other expenses incident thereto and incident to the issuance and sale of the First Series Bond, it is hereby determined that the Issuer borrow the sum of Three Hundred Fifty-Seven Thousand Dollars (\$357,000) and that revenue bonds be issued therefor pursuant to the provisions of Act 94. The balance of the cost of the Project will be paid from grants payable to the Issuer and other funds legally available therefor.

SECTION 5. First Series Bond Data and Sale

The First Series Bond shall be designated SEWAGE DISPOSAL SYSTEM REVENUE BOND, shall be dated as of June 1, 1985, shall consist of one (1) single fully-registered nonconvertible bond of the denomination of \$357,000 and shall be payable in principal installments serially on June 1 of each year, as follows:

\$2,000	1988 through 1997, inclusive;	\$14,000	2016;
\$4,000	1998;	\$15,000	2017;
\$5,000	1999, 2000 and 2001;	\$16,000	2018;
\$6,000	2002 and 2003;	\$17,000	2019;
\$7,000	2004 and 2005;	\$18,000	2020;
\$8,000	2006 and 2007;	\$19,000	2021;
\$9,000	2008 and 2009;	\$20,000	2022;
\$10,000	2010 and 2011;	\$22,000	2023;
\$11,000	2012 and 2013;	\$24,000	2024;
\$12,000	2014;	\$26,000	2025.
\$13,000	2015;		

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

The serial principal installments of the First Series Bond will each bear interest from the date of delivery of the corresponding delivery installment to the registered holder thereof as shown on the registration grid set forth on the First Series Bond at the rate of seven and one-fourth percent (7 $\frac{1}{4}$ %) per annum, payable on the first day of June or December following the date of delivery of said delivery installment, and semiannually thereafter on June 1 and December 1 of each year until maturity or earlier prepayment of said installment. Interest on the First Series Bond to February 1, 1987 shall be paid from the proceeds of the First Series Bond. The First Series Bond shall not be convertible or exchangeable into more than one fully-registered bond.

Upon receipt by the Issuer of an Order Providing Exception from the Department of Treasury, the Issuer's Clerk is authorized to negotiate privately the sale of the First Series Bond to the FmHA at an interest rate not to exceed seven and one-fourth percent (7 $\frac{1}{4}$ %) per annum.

The sale of the First Series Bond to the FmHA at an interest rate of seven and one-fourth percent (7¼%) per annum and at the par value thereof is hereby approved. The Issuer's Treasurer is hereby authorized to deliver the First Series Bond in accordance with the delivery instructions of the FmHA.

The First Series Bond or installments thereof will be subject to prepayment prior to maturity, in the manner and at the times as provided in the form of the First Series Bond set forth in Section 8 of the Ordinance.

SECTION 6. Bond Registration and Transfer

The First Series Bond shall be issued in fully-registered form. Principal of and interest on the First Series Bond 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. The Issuer's Treasurer is hereby appointed to act as Transfer Agent. If and at such time as the First Series Bond is transferred to or held by any registered owner other than the FmHA, the Issuer by resolution may appoint a bank or trust company qualified under Michigan law to act as transfer agent and bond registrar, and the Issuer may thereafter appoint a successor Transfer Agent upon sixty (60) days notice to the registered owner of the First Series Bond. If the FmHA shall no longer be the registered owner of the First Series Bond, then the principal of and interest on the First Series Bond 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 Issuer's Treasurer 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 when made and the cancelled checks or drafts representing such payments shall be returned to and retained by the Issuer's Treasurer, which cancelled checks or drafts shall be conclusive evidence of such payments and the obligation of the Issuer with respect to such payments shall be discharged to the extent of such payments. Upon payment by the Issuer of all outstanding principal of and interest on the First Series Bond, the registered owner thereof shall deliver it to the Issuer for cancellation.

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 Bonds presented for transfer, as hereinafter provided and subject to such reasonable regulations as it may prescribe. Any Bond may be transferred upon the books required to be kept by the Transfer Agent pursuant to this Section, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for transfer, 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 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 Bonds or installments thereof selected for redemption under Section 8 of this Ordinance and ending at the close of business on the day of that mailing, or (ii) to register the transfer of or exchange any Bond or portion thereof so selected for prepayment. In the event any Bond is called for prepayment in part, the 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.

SECTION 7. Execution and Delivery of the First Series Bond

The First Series Bond shall be signed by the Supervisor and countersigned by the Township Clerk and shall have the corporate seal of the Issuer impressed thereon. After execution, the First Series Bond shall be held by the Issuer's Treasurer for delivery to the FmHA. No First Series Bond or any installment thereof shall be valid Until registered by the Issuer's Treasurer, or upon transfer by the FmHA and thereafter, by an authorized representative of the Transfer Agent.

REGISTERED

UNITED STATES OF AMERICA STATE OF MICHIGAN
COUNTY OF IRON TOWNSHIP OF IRON RIVER

No.R-1 \$357,000

KNOW ALL MEN BY THESE PRESENTS that the Township of Iron River, County of Iron, State of Michigan (the "Issuer"), for value received, hereby promises to pay to the registered owner hereof, but only 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 THREE HUNDRED FIFTY-SEVEN THOUSAND DOLLARS on the dates and in the principal installment amounts set forth in Exhibit A attached hereto and made a part hereof with interest on said installments from the date each said installment is delivered to the registered owner hereof and as set forth on the registration grid hereon until paid at the rate of seven and one-fourth percent (7V4%) per annum, payable on _____, and semi-annually thereafter, provided that the principal repayments required herein to the registered holder shall not exceed the total of the principal installments set forth on the registration grid hereon from time to time hereafter to acknowledge receipt of payment of the purchase price of this bond up to a total of \$357,000. Both principal of and interest on this bond are payable in lawful money of the United States of America to the registered owner at the address shown on the Issuer's registration books by check or draft mailed to the registered holder at the address shown on the registration books of the Issuer, and for the prompt payment thereof, the gross revenues of the System, after provision has been made for reasonable and necessasry expenses of operation, administration and maintenance thereof (the "Net Revenues"), are hereby irrevocably pledged and a statutory first lien thereon is hereby created.

This bond is a single, fully-registered, non convertible bond in the principal sum of \$357,000,

issued pursuant to Ordinance No. (the "Ordinance"), duly adopted by the Issuer on _____, 1987, 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 defraying part of the cost of acquiring and constructing the System, including generally sanitary sewers, lift stations, forcemain, metering station and attachments and appurtenances necessary thereto. 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 the additional bonds of equal standing may hereafter be issued, and the general covenants and provisions pursuant to which this bond is issued, reference is made to the Ordinance.

Principal installments of this bond are subject to prepayment prior to maturity, in inverse chronological order, at the Issuer's option, on any interest payment date on or after June 1, 1987, at par and accrued interest to the date fixed for prepayment.

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

This bond shall be registered as to principal and interest on the books of the Issuer kept by the Issuer's Treasurer as 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 holder 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.

This bond is a self-liquidating bond and is not a general obligation of the Issuer and does not constitute an indebtedness of the Issuer within any constitutional or statutory limitation, but is payable, both as to principal and interest, solely from the Net Revenues of the System.

The Issuer hereby covenants and agrees to fix and maintain at all times while any installments of this bond 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 all such installment of this bond 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 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 the Ordinance.

It is hereby certified and recited that all acts, conditions and things required by law 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 Township of Iron River, County of Iron, State of Michigan, by its Township Board, has caused this bond to be signed in its name by its Supervisor and to be

countersigned by its Township Clerk, and its corporate seal to be hereunto affixed, all as of June 1, 1985.

TOWNSHIP OF IRON RIVER COUNTY OF IRON STATE OF MICHIGAN

By /s/ James Spicer - Supervisor

(SEAL) Countersigned:

/s/ Joan Luhtanen

Township Clerk

Date of Registration

Name of Registered Owner

United States of America, Farmers Home Administration

EXHIBIT A

Principal Installment Due on June 1	Amount of Principal Installment
1988	\$2,000
1989	\$2,000
1990	\$2,000
1991	\$2,000
1992	\$2,000
1993	\$2,000
1994	\$2,000
1995	\$2,000
1996	\$,2000
1997	\$2,000
1998	\$4,000
1999	\$5,000
2000	\$5,000
2001	\$5,000
2002	\$6,000
2003	\$6,000
2004	\$7,000
2005	\$7,000
2006	\$8,000
2007	\$8,000
2008	\$9,000
2009	\$9,000
2010	\$10,000
2011	\$10,000
2012	\$11,000
2013	\$11,000
2014	\$12,000
2015	\$13,000
2016	\$14,000

2017	\$15,000
2018	\$16,000
2019	\$17,000
2020	\$18,000
2021	\$19,000
2022	\$20,000
2023	\$22,000
2024	\$24,000
2025	\$26,000

SECTION 9. Security for Bonds

Neither the Bonds nor the interest thereon shall be a general obligation of the Issuer but each shall be payable solely from the Net Revenues. To pay such principal and interest as and when the same shall become due, there is hereby created a statutory first lien upon the whole of the Net Revenues of the System to continue until the payment in full of the principal and interest on the Bonds and said Net Revenues shall be set aside for the purpose and identified as the Bond and Interest Redemption Fund, as hereinafter specified,

SECTION 10. 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 FmHA without request from the FmHA for review prior to adoption (as long as the Government is the registered owner of any of the Bonds), and upon written request to any other registered owners of the Bonds.

SECTION 11. Custodian of Funds

The Issuer's Treasurer 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 Issuer's Treasurer shall execute a fidelity bond in an amount not less than \$75,000 with a surety company approved by the FmHA, and the FmHA and the Issuer shall be named as co-obligees in such bond and the amount thereof shall not be reduced without the prior written consent of the FmHA. The Issuer's Treasurer is hereby directed to create and maintain the following funds and 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 funds and accounts shall be established and maintained, except as otherwise provided, so long as any of the Bonds hereby authorized remain unpaid.

(A) CONSTRUCTION ACCOUNT. The proceeds of the First Series Bond hereby authorized shall be deposited in the TOWNSHIP OF IRON RIVER SEWAGE DISPOSAL SYSTEM CONSTRUCTION FUND ACCOUNT (the "Construction Account"), in the Depository Bank; provided, however, that the proceeds of the First Series Bond representing capitalized interest shall be deposited into the Bond and Interest Redemption Fund (as hereinafter provided) . In the event that the Government is a holder of the First Series Bond, then, if required by the FmHA, the Construction Account shall be established as a supervised bank account and such proceeds

shall be withdrawn on the orders of the Issuer only on checks signed by its Treasurer and the District Director of the FmHA. Moneys in the Construction Account shall be used solely for the purposes for which the First Series Bond is issued.

Any unexpended balance of the proceeds of sale of the First Series Bond remaining after completion of the Project herein authorized may in the discretion of the Issuer be used for further improvements, enlargements and extensions to the System, provided that at the time of such expenditure such use be approved by the Department of Treasury (if such approval is then required by law). Any remaining balance after such expenditure shall be paid into the Bond and Interest Redemption Fund and shall be credited to the Bond Reserve Account (as hereinafter provided) or used for the prepayment of installments of the First Series Bond or for the purchase of installments to the First Series Bond at not more than the fair market value thereof. After completion of the Project and disposition of remaining proceeds, if any, of the First Series Bond pursuant to the provisions of this Section, the Construction Account shall be closed.

(B) SEW AGE DISPOSAL SYSTEM RECEIVING FUND. Upon and after the effective date of this Ordinance, the Revenues of the System shall be set aside into a separate fund to be designated the TOWNSHIP OF IRON RIVER SEWAGE DISPOSAL SYSTEM RECEIVING FUND (the "Receiving Fund"), and moneys so deposited therein shall be transferred, expended and used only in the manner and order as follows:

(1) Operation and Maintenance Fund. There is hereby established a separate fund to be designated the OPERATION And MAINTENANCE FUND (the "Operation and Maintenance Fund"). Revenues shall be transferred each quarter of the Fiscal Year, commencing October 1, 1986, from the Receiving Fund to the Operation and Maintenance Fund to pay the reasonable and necessary current expenses of administration, operating and maintaining the System for the ensuing quarter.

(2) Sewage Disposal System Revenue Bond - Bond and Interest Redemption Fund. There is hereby established a separate fund to be designated as the TOWNSHIP OF IRON RIVER SEWAGE DISPOSAL SYSTEM REVENUE BOND - BOND AND INTEREST REDEMPTION FUND (the "Bond and Interest Redemption Fund"). After the transfer required in: (1) above, Revenues shall be transferred each quarter of the Fiscal Year, commencing January 1, 1987 from the Receiving Fund, before any other expenditures or transfer therefrom, and deposited in the Bond and Interest Redemption Fund for payment of principal of and interest on the First Series Bond and to fund the Bond Reserve Account. Upon any delivery of an installment of the First Series Bond on or after January 1, 1987 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 interest payment date an amount equal to that fraction of the amount of interest due on the next interest payment date on said installment so delivered, the numerator of which is 1 and the denominator of which is the number of full and partial Fiscal Year quarters from the date of said delivery to the next interest payment date. There shall also be set aside each Fiscal Year quarter on or after July 1, 1987 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 First Series Bond not delivered during the then current interest payment period. Upon any delivery of an installment of the First

Series Bond on or after July 1, 1987 there shall also be set aside at the time of such delivery and on the first day of each Fiscal Year quarter thereafter to the next principal payment date an amount equal to that fraction of principal of the First Series Bond 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 July 1, 1987 an amount not less than 1/4 of the amount of principal due on the next principal payment date on all outstanding installments of the First Series Bond not delivered during the then current principal payment period.

Proceeds of the principal installments of the First Series Bond representing capitalized interest shall be deposited in and credited to the Bond and Interest Redemption Fund upon receipt thereof.

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 Redemption Fund out of the Revenues first received thereafter which are not required by this Ordinance to be deposited in the Operation and Maintenance Fund or in the Bond and Interest Redemption Fund, which amount shall be in addition to the regular quarterly deposit required during such succeeding quarter or quarters.

There is hereby established in the Bond and Interest Redemption Fund a separate account to be designated the BOND RESERVE ACCOUNT (the "Bond Reserve Account"). Commencing April 1, 1988, there shall be withdrawn from; the Receiving Fund at the beginning of each Fiscal Year quarter and set aside in and transferred to the Bond Reserve Account, after provision has been made for the Operation and Maintenance Fund and the current requirements of the Bond and Interest Redemption Fund, the sum of at least \$700 per quarter until there is accumulated in such fund the sum of \$28,000. Except as hereinafter provided, no further deposits need be made into the Bond and Interest Redemption Fund for the purposes of the Bond Reserve Account once the sum of \$28,000 has been deposited therein. The moneys in the Bond Reserve Account shall be used solely for the payment of the principal installments of and interest on the First Series Bond as to which there would otherwise be default.

If at any time it shall be necessary to use moneys in the Bond Reserve Account for such payment, then the moneys so used shall be replaced from the Net Revenues first received thereafter which are not required by this Ordinance to be used for operation and maintenance or for current principal and interest requirements for the First Series Bond.

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

Any amount on deposit in the Bond and Interest Redemption Fund in excess of the requirements

for paying principal installments of and interest on the First Series Bond due during the ensuing eighteen months, plus the requirements of the Bond Reserve Account, may be used by the Issuer for redemption of principal installments of the First Series Bond in the manner set forth in Section 8 hereof.

The moneys in the Bond and Interest Redemption Fund and Bond Reserve Account shall be invested in accordance with Section 12 of this Ordinance, and profit realized or income earned on such investment shall be used or transferred as provided in Section 12 of this Ordinance.

(3) Repair and Reconstruction Fund. There is hereby established a separate fund to be designated the REPAIR AND RECONSTRUCTION FUND (the "Reconstruction Fund"). After the transfers required in (1) and (2) above, Revenues shall be transferred each quarter of the Fiscal Year, commencing April 1, 1988 from the Receiving Fund, and deposited in the Reconstruction Fund, the sum of \$100 until the total amount in the Reconstruction Fund shall equal \$10,000. The total of such deposits to the Reconstruction Fund and the balance therein need not exceed the sum of \$10,000. Moneys in the Reconstruction Fund shall be used and disbursed only for purpose of paying the cost of repairing or replacing any damage to the System which may be caused by any unforeseen catastrophe, and when necessary, for the purpose of making payments of principal of and interest on the Bonds. If the amount in the Bond and Interest Redemption Fund and the Bond Reserve Account is not sufficient to pay the principal of and interest on the Bonds when due, then the moneys in the Reconstruction Fund shall be transferred to the Bond and Interest Redemption Fund and used for that purpose. If at any time it shall be necessary to use moneys in the Reconstruction Fund, the moneys so used shall be replaced from any Revenues in the Receiving Fund which are not required by this Ordinance to be used for the Operation and Maintenance Fund or the Bond and Interest Redemption Fund (including the Bond Reserve Account). The moneys in the Reconstruction Fund may be invested in accordance with Section 12 of this Ordinance. Any profit realized or interest income earned on such investment will be a part of the Reconstruction Fund until the balance therein equals the sum of \$10,000; thereafter such profit or interest income shall be deposited in or credited to the Receiving Fund.

(4) Improvement Fund. There is hereby established a separate fund to be designated the IMPROVEMENT FUND (the "Improvement Fund"). After the transfers required in (1), (2) and (3) above, the balance of the Revenues of the System shall be transferred each quarter of the Fiscal Year, commencing April 1, 1988 from the Receiving Fund, and deposited in the Improvement Fund, the sum of \$100 until the total amount in the Improvement Fund shall equal \$10,000. The total of such deposits to the Improvement Fund and the balance therein need not exceed the sum of \$10,000. Moneys in the Improvement Fund shall be used and disbursed only for the purpose of paying the cost of making extensions or improvements to the System, and when necessary, for the purpose of making payments of principal of and interest on the Bonds. If the amount in the Bond and Interest Redemption Fund, the Bond Reserve Account and the Reconstruction Fund is not sufficient to pay the principal of and interest on the Bonds when due, then moneys in the Improvement Fund shall be transferred to the Bond and Interest Redemption Fund and used for that purpose. The moneys in the Improvement Fund may be invested in accordance with Section 12 of this Ordinance. Any profit realized or interest income earned on such investment will be part of the Improvement Fund until the balance therein equals the sum of

\$10,000; thereafter such profit or interest income shall be deposited in or credited to the Receiving Fund.

(5) Reverse Flow of Funds; Surplus Moneys. In the event the moneys in the Receiving Fund are insufficient to provide for the current requirements of the Operation and Maintenance Fund, the Bond and Interest Redemption Fund (including the Bond Reserve Account), the Reconstruction Fund or the Improvement Fund, any moneys and/or securities in the funds of the System established by this Ordinance shall be transferred, first, to the Operation and Maintenance Fund, and second, to the Bond and Interest Redemption Fund, and third, to the Replacement Fund, and fourth, to the Improvement Fund.

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

SECTION 12. 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 Government obligations or obligations the principal of and interest on which is fully guaranteed by the United States of America, or certificates of deposit of a bank insured by the Federal Deposit Insurance Corporation. Investment of moneys in the Bond and Interest Redemption Fund being accumulated for payment on the next maturing principal or interest payment on the Bonds shall be limited to obligations bearing maturity dates prior to the date of the next maturing principal or interest payment on the Bonds. Investment of moneys in the Bond Reserve Account shall be limited to Government obligations bearing maturity dates or subject to redemption, at the option of the holder thereof, not later than 5 years from the date of the investment. In the event investments are made, any securities representing the same shall be kept on deposit with the Depository Bank. Profit realized or interest income earned on investment of funds in the Receiving Fund, the Operation and Maintenance Fund, the Bond and Interest Redemption Fund and, at any time after they are fully funded, the Bond Reserve Account, the Reconstruction Fund and the Improvement Fund, shall be deposited in or credited to the Receiving Fund;

SECTION 13. Rates and Charges

Rates and charges for the services of the System have been fixed pursuant to Ordinance No. 19 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 any of 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 fund (including a bond reserve account) for all such Bonds. The rates and charges for all services and facilities rendered by the System shall be reasonable and just, taking into consideration the costs and value of the System and the cost of maintaining, repairing, and operating the same and the amounts necessary for the retirement of all Bonds and accruing interest on all Bonds, and there shall be charged such rates and charges as shall be adequate to meet the requirements of this Section and Section 11 of this Ordinance.

SECTION 14. No Free Service

No tree service shall be furnished by the System to any individual, firm or corporation, public or private or to any public agency or instrumentality.

SECTION 15. 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 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 any of the Bonds, the FmHA shall have the right to inspect the System and the records, accounts, and data relating thereto at all reasonable times.

(ii) It will file with the Department of Treasury and the FmHA each year, as soon as is possible, not later than ninety days after the close of the Fiscal Year, a report, on forms prepared by the Department of Treasury, made in accordance with the accounting method of the Issuer, completely setting forth the financial operation of such Fiscal Year,

(iii) 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 FmHA, without request of the FmHA, or to the manager of the syndicate or account purchasing any series of the Bonds/Such audit shall be completed and so made available not later than ninety (90) days after the close of each Fiscal Year, and said audit may, at the option of the Issuer be used in lieu of the statement on forms prepared by the Department of Treasury and all purposes for which said forms are required to be used by this Ordinance.

(c) It will maintain and carry, for the benefit of the holders of the 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. All moneys received for losses under any such insurance policies shall be applied solely to the replacement and restoration of the property damaged or destroyed, and to the extent not so used, shall be used for the purpose of calling Bonds. Said insurance will be in an amount not less than such amount as may be specified by LETTER OF INTENT TO MEET CONDITIONS, Form FmHA 442.46 and said insurance shall be approved by the FmHA.

(d) It will not borrow any money from any source or enter into any contract or agreement to incur any other liabilities that may in any way be a lien upon the Revenues or otherwise encumber the System so as to impair Revenues therefrom, without obtaining the prior written

consent of the FmHA, 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 encumbrance without obtaining the prior written consent of the FmHA.

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

SECTION 16. Additional Bonds

The Issuer may issue Additional Bonds of equal standing with the Bonds 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 in the amount necessary therefor.

(b) For the purpose of making reasonable repair, replacement or extension of the System or refunding any outstanding Bonds, Additional Bonds of equal standing may be issued if :

(i) The augmented net revenues of the System for the Fiscal Year preceding the year in which such Additional Bonds are to be issued were 120 percent of the average annual debt service requirements on all Bonds 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 then outstanding 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 Bonds are authorized, to be placed in effect before principal of and interest on the new Bonds 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 Bonds. The adjustments and augmentations provided for in the preceding sentence shall be established by certificate of an independent consulting engineer filed with the Clerk of the Issuer. If new Bond are 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 th results of a Fiscal Year ending within 16 months of the date of issuance of the new Bonds.

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 Revenue from any such extension or replacement constructed by the proceeds of an additional bond issue shall be paid to the Receiving Fund mentioned in this Ordinance.

Except, as otherwise specifically provided so long as any of such Bonds herein authorized are outstanding, no Additional 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 17. Ordinance Shall Constitute Contract

The provisions of the Ordinance shall constitute a contract between the Issuer and the bondholders and after the issuance of the First Series Bond this Ordinance shall not be repealed or amended in any respect which will adversely affect the rights and interests of the holders nor shall the Issuer adopt any law, ordinance or resolution in any way adversely affecting the rights of the holders so long as the Bonds or interest thereon remains unpaid.

SECTION 18. Refunding of Bonds

If at any time it shall appear to the FmHA that the Issuer is able to refund, upon call for redemption or with consent of the FmHA 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 19. Default of Issuer

If there shall be default in the Bond and Interest Redemption Fund, provisions of this Ordinance or in the payment of principal of or interest on any of the Bonds, upon the filing of a suit by twenty percent of the holders 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 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 operator shall operate by authority of the court.

The holders of twenty percent of the Bonds in the event of default may require by mandatory injunction the raising of rates in a reasonable amount.

SECTION 20. Ordinance Subject to Michigan Law and FmHA 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 FmHA not inconsistent with the express provisions hereof and Michigan law.

SECTION 21. Fiscal Year of System

The Fiscal Year for operating the System shall be consistent with that of the Issuer.

SECTION 22. Issuer Subject to Loan Agreement

So long as the Government is holder of any of the Bonds, the Issuer shall be subject to the loan agreement (form FmHA 442-47) with the FmHA and shall comply with all provisions thereof.

SECTION 23. 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 thereof 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 24. 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 25. Publication and Recording

This Ordinance shall be published in full in The Reporter, 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 Supervisor and Township Clerk.

SECTION 26. 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 Township of Iron River, County of Iron, State of Michigan, on December 13, 1984, and approved by me on December 13, 1984.

/s/ James Spicer, Supervisor, Township of Iron River
(SEAL)

Attest:

/s/ Joan Luthanen, Township Clerk

I hereby certify that the foregoing is a true and complete copy of an Ordinance adopted by the Township Board of the Township of Iron River, County of Iron, State of Michigan, at a Regular meeting held on December 13, 1984, 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 said Ordinance has been recorded in the Ordinance Book of the Township of Iron River and such recording had been authenticated by the signatures of the Supervisor and Township Clerk.

/s/ Joan Luhtanen, Township Clerk