

VILLAGE OF OTISVILLE
1998 WATER BOND ORDINANCE (\$465,000.00)
Ordinance No. 159

At a regular meeting of the Village Council of the Village of Otisville, Genesee County, Michigan, held in the Village on August 17, 1998 at 7:30 p.m., Easter Daylight Savings Time, there were

PRESENT: President, Bess, Council Members: Gulash, Hemingway, Hudson, Remis, Lutze

ABSENT: Price

The Following Ordinance was offered by Hudson

1998 BOND ORDINANCE
1998 Water Revenue Bond

AN ORDINANCE TO PROVIDE FOR THE ISSUANCE OF REVENUE BOND

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

WHEREAS, the Village has been furnished with an estimate of the cost and period of usefulness of the Project prepared by the Spicer Group, Inc. registered professional engineers of Saginaw, Michigan, which indicates an estimated total cost of \$465,000.00 and a period of usefulness thereof of not less than 30 years; and

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

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

ARTICLE I

PROJECT

SECTION 101: Construction of the Project:

The Council of the Village of Otisville (the "Village") hereby determines to undertake the Project and particularly Project as more fully described on Appendix A hereto. The Project shall be constructed in accordance with plans and specifications already approved by the Council.

SECTION 102: Approval of Estimates:

The Village approves the estimated costs for the Project, in the amount of \$465,000; and the estimated useful life for the Project of not less than 30 years.

**ARTICLE II
BOND DETAILS**

SECTION 201: Principal Amount of Bond:

A revenue bond of the Village in the aggregate principal amount of \$465,000 shall, as provided below, be sold to the Michigan Municipal Bond Authority through its State Revolving Fund Loan Program.

SECTION 202: Definitions:

In addition to other terms defined in this Resolution, whenever used in this Resolution, except when otherwise indicated by the context, the following terms shall have the following meanings:

- a. "Act" means Act No. 94 of the Public Acts of Michigan of 1933, as amended.
- b. "Village" shall mean the Village of Otisville.
- c. "Bond" means the Village of Otisville 1998 Water Revenue Bond of the issuer in such principal amount as shall be delivered pursuant to the Purchase Contract authorized by this Resolution.
- d. "Revenue Bond Payments" means any of the payments to be made to the State Authority from the Village pursuant to this Ordinance.
- e. "Government Obligations" means direct obligations of the United States of America or obligations the principal and interest on which is fully guaranteed by the United States of America, not redeemable at the option of the issuer, the principal and interest payments upon which, without reinvestment of the interest, come due at such times and in such amounts as to be fully sufficient

to pay the interest as it comes due on the Bond and the principal and redemption premium, if any, on the Bond as it comes due whether on the stated maturity date or upon earlier redemption. Securities representing such obligations shall be placed in trust with a bank or trust company, and if the Bond is to be called for redemption prior to maturity, irrevocable notice to call the Bond for redemption shall be given to the paying agent.

- f. "Purchase Contract" shall mean a Purchase Contract and Supplement agreement which shall both be in the form approved by the Village Council.
- g. "State Authority" shall mean the Michigan Municipal Bond Authority created under Act No. 227 of the Public Acts of Michigan of 1985.

SECTION 203: Bond Designation:

The Bond hereby authorized shall be designated Village of Otisville 1998 Water Revenue Bond, or in any other manner requested by the State of Michigan and shall be dated of the date of disbursement to the Authority of the first installment of principal, shall consist of a single fully-registered bond, and shall be payable in the years and amounts as shown on Exhibit A of the Form of Bond approved in this Bond Ordinance, subject to modification by the Village Council all in accordance with a certain Purchase Contract to be approved by the Village (the "Purchase Contract").

The Bond shall bear interest from the date such principal is disbursed by the State Authority to the Village at such rate per annum as shall be agreed to not in excess of four percent (4%) per annum, payable on such dates as shall be provided in the final Bond. It is expected that principal will be disbursed in more than one installment and each installment of principal disbursed will bear interest from the date of disbursement as noted by the State Authority of the date of disbursement.

Principal of and interest on the Bond shall be payable, and principal of the Bond will be subject to prepayment prior to maturity, in the manner and at the times provided in the form of Bond set forth in Article VI, Section 601 of this Ordinance. The actual debt retirement schedule shall be set forth in the Purchase Contract.

SECTION 204: Capitalized Interest:

As the Village Treasurer so orders at the time of disbursing the first installment of principal to the Village, up to one year's interest payable on the Bond is to be capitalized; and be transferred to the Principal and Interest Fund established herein and used to reduce the Village's next cash payment due under the Bond.

SECTION 205: Reduction in Aggregate Amount of Issue:

In the event the Purchase Contract shall call for delivery of a bond in an amount less than \$465,000, the Village Council is authorized to reduce the principal amount of the Bond and restructure the maturities thereof in accordance with the Purchase Contract.

SECTION 206: Paying Agent and Bond Registrar:

The Bond shall be registered as set forth in the Bond Form shown in Article VI Section 601 of this Ordinance and the Village Treasurer shall have the authority to designate the Paying Agent and Bond Registrar.

SECTION 207: Transfer or Exchange of Bond:

The Bond shall be transferable only as set forth in the Bond Form shown in Article VI Section 601 of this Ordinance.

SECTION 208: Execution and Delivery:

The Village President and Clerk are authorized and directed to execute the Bond for and on behalf of the Village by manually executing the same or by causing their facsimile signatures to be affixed. If facsimile signatures are used, the Bond shall thereafter be authenticated by the Bond Registrar, as authenticating agent. The Bond shall be sealed with the seal of the Village or a facsimile thereof shall be imprinted thereon. When so executed and (if facsimile signatures are used) authenticated, the Bond shall be delivered to the Village President or Clerk, who thereafter shall deliver the same to the State Authority.

SECTION 209: Limited Tax Full Faith and Credit of Village:

The Bond is to be issued pursuant to the provisions of the Act in anticipation of the net revenues to be collected as set forth in Article III. Such payments are supported by a pledge of the limited tax full faith and credit of the Village. The ability of the Village to raise funds with which to meet such full faith and credit pledge is subject to applicable charter statutory and constitutional tax limitations.

SECTION 210:

The form of the Revenue Sharing Pledge Agreement between the Issuer and the State Authority and on file with the Issuer is hereby approved. The Village President and the Village Clerk of the Issuer each are hereby authorized to execute and deliver the

Revenue Sharing Pledge Agreement substantially in the form approved, with such changes and insertions (including but not limited to final bond terms and sale detail) as may be necessary to desirable, permitted by law and not materially adverse to the Issuer.

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

ARTICLE III FUNDS AND SECURITY

SECTION 301: SECURITY:

The principal of, premium, if any, and interest on the Bond shall be payable from the net revenues derived from the Village's Water Revenue System, including net revenues derived from future improvements. To secure the payment of the principal of, premium, if any, and interest on the Bond issued under this Ordinance and on any additional bonds of equal standing issued as provided below, there is hereby created in favor of the holder of the Bond a lien (made a statutory lien by the Act) upon said revenues which lien shall be subordinate to and not on a parity with the lien securing any additional bonds which may be hereafter issued in accordance with the restrictions contained in this Ordinance. The revenues so pledged shall be and remain subject to the lien until the payment in full of the principal of and premium, if any, and interest on the Bond or until provision for such payment has been made by the deposit with the paying agent of either (i) non-callable direct obligations of the United States of America or obligations fully guaranteed by the United States of America, the principal of which and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the paying agent for such purpose, shall be sufficient to pay when due the principal of premium, if any, and interest due and to become due on the Bond to and at maturity or any earlier specified redemption date or dates.

SECTION 302: Definition of System:

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

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

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

SECTION 303: Creation of Funds:

The Village of Otisville Water System Receiving Fund, the Water Operation and Maintenance Fund, the Bond and Interest Redemption Fund (including the Bond Reserve Account established therein), the Surplus Fund, and the Construction Fund for the Project are hereby established. The revenues of the sewer and water system shall be set aside into the various funds as follows:

(a) Village of Otisville Water System Receiving Fund:

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

(b) Water Operation and Maintenance Fund:

Out of the revenues in the Water Receiving Fund the Village shall first cause to be set aside into the fund designated “Water Operation and Maintenance Fund”, an itemized sum designated and certified by the Village President sufficient to provide for the payment of all current expenses of administration and operation of the Water Revenue System and such current expenses for the maintenance as may be necessary to preserve the Water Revenue System in good repair which are estimated to be incurred prior to the next due payment of principal of and premium, if any, and interest on Bond. Money on deposit in the Water Operation and Maintenance Fund shall be used by the Village for the payment of the above described expenses.

(c) Bond and Interest Redemption Fund:

There shall be established and maintained with a bank designated by the Village Treasurer (the "Depository") a separate depository fund designated the Redemption Fund (the "Redemption Fund"), the moneys on deposit therein from time to time to be used solely for the purpose of paying the principal of, redemption premiums (if any) and interest on the Bond. The moneys in the Redemption Fund shall be kept on deposit with the bank where the principal of and interest on the Bond, or any series thereof, are payable.

Out of the revenues remaining in the Water Receiving Fund after provision for the respective Operation and Maintenance Funds, there shall be set aside each month commencing October 1, 1998 in the Redemption Fund shall be 1/12 of the total amount of interest on the Bond next coming due less any accrued interest or capitalized interest deposited in the Bond and Interest Redemption Fund. Commencing October 1, 1998, the pro-rata amount set aside each month for the principal on the Bond shall be 1/12 of the total amount of principal on the Bond coming due on the following October 1st. If there is any deficiency in the amount previously set aside, that deficiency shall be added to the next succeeding monthly requirements. The amount to be set aside for the payment of principal and interest on any date shall not exceed the amount which, when added to the money on deposit in the Redemption Fund, including investment income thereon and on the Bond Reserve Account, if any, is necessary to pay principal and interest due on the Bond on the next succeeding principal payment date.

(d) Sewer and Water Surplus Fund:

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

such funds are listed above.

(e) Construction Fund-Capitalized Interest:

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

SECTION 304: Custody of Funds:

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

SECTION 305: Investment of Funds:

Monies from time to time on hand in any funds, or any account of any fund, may be invested by the Village in accordance with Section 24 of the Act. Any gain or loss resulting from any investment and any interest received on any such investment shall accrue to the fund or account from which such investment was made. To the extent

monies are invested in certificates of deposit, the amount of money invested in certificates of deposit in any one bank shall not exceed 10% of the unimpaired capital and surplus of such institution.

ARTICLE IV

EVENTS OF DEFAULT AND REMEDIES

SECTION 401: Events of Default:

Any of the following events occurring shall constitute an “Event of Default”:

- (a) Default in the due and punctual payment of principal of, premium, if any, or interest on the Bond whether at maturity or upon redemption.
- (b) Default in the performance or observance of any other duty, obligation or condition on the part of the Village provided in this Ordinance, or the Act, or any other provision of law or in the Bond, and the continuance of such default for a period and after the notice specified below in this section.

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

SECTION 402: Remedies:

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

- (a) By bringing an action at law or suit in equity upon the Bond or under this Ordinance.
- (b) By pursuing any other available remedy to enforce payment of the Bond or performance by the Village of its duties and obligations under this Ordinance and the Act or to prevent violations of those duties and obligations.

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

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

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

ARTICLE V

CONVENANTS

Section 501: Miscellaneous Covenants:

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

SECTION 502: Limitation on Indebtedness:

The Village covenants and agrees that it will not incur any indebtedness or liabilities of any kind payable from any of the revenues pledged as primary security under Section 30 except for the following:

- (a) The Bond;

- (b) Liabilities (other than for borrowed money and other than rents payable under leases) incurred in the regular operation of the Project; or
- (c) Additional bonds issued pursuant to this Ordinance.

SECTION 503: Additional Bonds:

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

- (a) Refunding and retiring any outstanding bonds, if such bonds may then be refunded or retired;
- (b) Advance refunding any outstanding bonds, regardless of whether such bonds may then be refunded or retired; or
- (c) Financing the costs of completing additional parts of the Project.
- (d) Financing subsequent repairs, extensions, enlargements and improvements to the system including deposits which may be required to be made to the Bond and Interest Redemption Fund. Bonds for such purposes shall not be issued pursuant to this subparagraph (d) unless the average actual or augmented net revenues of the system for a period of any twelve consecutive months during the immediately preceding eighteen months of the actual or augmented net revenues for the last preceding twelve month operating year, if said period has been audited, shall be equal to at least one hundred percent (100%) of the maximum amount of principal and interest thereafter maturing in any operating year on the then outstanding bond and on the additional bonds then being issued. If the system rates, fees or charges shall be increased at or prior to the time of authorizing the additional bonds, then net revenues for a period of any twelve consecutive months during the immediately preceding eighteen months shall be augmented by an amount reflecting the effect of the increase had the system's billing during such operating years been at the increased rates. In addition, the actual net revenue for a period of any twelve consecutive months during the immediately preceding eighteen months may be augmented by an amount reflecting the effect of the increase rates. In addition, the actual net revenues for a period of any twelve consecutive months during the immediately preceding eighteen months may be augmented by the estimated increase in net revenues to accrue as a result of the acquisition of the repairs, extensions, enlargements and improvements to said system to be paid for in

whole or in part from the proceeds of the additional bonds to be issued and resulting from those customers of the system serviced by said repairs, extensions, enlargement and improvements to said system to be paid for in whole or in part from the proceeds of the additional bonds to be issued and resulting from those customers of the system serviced by said repairs, extensions, enlargements and improvements constructed to the system. In addition, the actual net revenues may be augmented by an amount equal to the investment income representing interest on investments estimated to be received each operating year from the addition to the Bond and Interest Redemption Fund to be funded from the proceeds of the additional bonds being issued or by any additional security given pursuant to the Act, provided said Bond and Interest Redemption Funds shall be then funded at its maximum amount. Determination by the Council as to the existence of conditions permitting the issuance of Additional bonds shall be conclusive. No additional bonds of equal standing as to the net revenues of the system shall be issued pursuant to the authorization contained in this subparagraph if the Village shall then be in default in making its required payments into the Bond and Interest Redemption Fund.

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

SECTION 504: Fixing and Revising Rates; (Rate Covenant):

The rates now in effect are estimated to be sufficient to provide for the payment of the expenses of administration and operation and such expenses for maintenance of the Water Revenue System in good repair and working order, to provide for the payment of the principal of and interest on the Bond as the same become due and payable, and the maintenance of the reserve therefor and to provide for all other obligations, expenditures and funds for the Water Revenue System required by law and this Ordinance. In addition, it is agreed that the rates shall be set from time to time so that there shall be produced each fiscal year, net revenues in an amount equal to 100% of the principal of and interest on the Bond coming due in each fiscal year. The rates shall be fixed and revised from time to time as may be necessary to produce these amounts,

and it is hereby covenant and agreed to fix and maintain rates for services furnished by the Water Revenue System at all times sufficient to provide for the foregoing.

SECTION 505: Arbitrage and Tax Covenants:

Notwithstanding any other provision of this Ordinance, the Village covenants that it will not at any time or times:

- (a) Permit any proceeds of the Bond or any other funds of the Village or under its control to be used directly or indirectly (i) to acquire any securities or obligations, the acquisition of which would cause any Bond to be an “arbitrage bond” as define in Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), or (ii) in a manner which would result in the exclusion of any bond from the treatment afforded by Section 103 (a) of the Code by reason of the classification of any bond as a “private activity bond” within the meaning of Section 141 (a) of the Code, as a “private loan bond” within the meaning of Section 141 (a) of the Code or as an obligation guaranteed by the United States of America within the meaning of Section 149 (b) of the Code; or
- (b) Take any action, or fail to take any action (including failure to file any required information or other returns with the United State Internal Revenue Service or to rebate amounts to the United States, if required, at or before the time or times required), within its control which action or failure to act would (i) cause the interest on the Bond to be includible in gross income for federal income tax purposes, cause the interest on the Bond to be includible in computing any alternative minimum tax (other than the alternative minimum tax applicable to interest on all tax-exempt obligation generally) or cause the proceeds of the Bond to be used directly or indirectly by an organization described in Section 501 (c) (3) of the Code, or (ii) adversely affect the exemption of the Bond and the interest thereon from the State of Michigan income taxation.

SECTION 506: Qualified Tax-Exempt Obligations:

The Bond is hereby designated as a “qualified tax-exempt obligation” for purposes of deduction of interest expenses by financial institutions under the provision of Section 265 of the Code.

ARTICLE VI
FORM OF BOND

SECTION 601: Form of Bond:

The Bond shall be in substantially the following form:

**UNITED STATE OF AMERICA
STATE OF MICHIGNA
VILLAGE OF OTISVILLE
1998 WATER REVENUE BOND**

No. R-1

<u>RATE</u>	<u>MATURITY DATE</u>	<u>DATE OF ISSUANCE</u>
_____%	_____	_____

=====

REGISTERED OWNER: MICHIGAN MUNICIPAL BOND AUTHORITY

PRINCIPAL AMOUNT: _____ (\$_____)

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FOR VALUE RECEIVED, the Village of Otisville Genesee County, Michigan (the "Issuer" or "Village"), hereby acknowledges itself indebted and promises to pay to the Michigan Municipal Bond Authority (the "State Authority") the principal sum of _____ dollars (\$_____) or so much thereof as shall have been advanced to the Issuer pursuant to a Purchase Contract between the Issuer and the State Authority and a Supplemental Agreement by and among the Issuer, the State Authority and the State of Michigan acting through the Department of Environmental Quality, in lawful money of the United States of America, on the dates and in the principal installments indicated on the Payment Schedule attached as EXHIBIT A hereto, unless prepaid prior thereto as hereinafter provided, with interest on said principal thereon until paid from the date each such installment of principal is disbursed by the State Authority to the Authority at the rate of _____ percent (_____%) per annum, first payable on _____, _____ and semiannually thereafter and that principal is payable on the first day of _____ commencing _____, _____ (as identified in the Purchase Contract and annually thereafter).

This is a revenue bond aggregating the principal sum of _____ dollars (\$_____), issued pursuant to and in full conformity with the Constitution and statues of the State of Michigan and especially Act No. 94, Michigan Public Acts of 1933, as amended (the "Act"), and pursuant to an ordinance of the Village Council of the Village (the "Ordinance" or "Bond Ordinance") adopted for the purpose of constructing extensions to the Village's Water System.

This Bond and the interest hereon are payable from the net revenues derived from the operation of the Village's Water System. Such revenues have been irrevocably pledged by the Village for the payment of principal of, premium, if any, and interest on the Bond and other bond as provided in the Bond Ordinance and such lien has been made a statutory lien by the Act. Such monies shall be used by the Village to pay principal of, premium, if any, and interest on the Bond and such other bond as are provided for in the Bond Ordinance.

As provided in the Bond Ordinance, the lien securing this Bond is subordinate to the lien securing other revenue Bond to be issued by the Village.

As additional security for the payment of this Bond, the Village by majority vote of the elected members of its Village Council has, in the Bond Ordinance pledged its limited tax full faith and credit for the payment of principal of and interest on this Bond. This pledge of full faith and credit is subject to applicable constitutional, statutory and charter limitations applying to the Village.

Notwithstanding any other provision of this Bond, so long as the State Authority is the owner of this Bond, (a) this Bond is payable as to principal, premium, if any, and interest at _____ or at such other place as shall be designated in writing to the Issuer by the State Authority (the "State Authority's Depository"); (b) the Issuer agrees that it will deposit with the State Authority's Depository payments of the principal of, premium, if any, and interest on this Bond in immediately available funds at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise; and (c) written notice of any redemption of this Bond shall be given by the Issuer and received by the State Authority's Depository at least forty (40) days prior to the date on which such redemption is to be made.

ADDITIONAL INTEREST

In The event of a default in the payment of principal or interest hereon when due, whether at maturity, by redemption or otherwise, the amount of such default shall bear interest (the "additional interest") at a rate equal to the rate of interest which is two percent above the State Authority's cost of providing funds (as determined by the State Authority) to make payment on the Bond of the State Authority issued to provide funds to purchase this Bond but in no event in excess of the maximum rate of interest permitted by law. The additional interest shall continue to accrue until the State Authority has been fully reimbursed for all costs incurred by the State Authority (as determined by the State Authority) as consequence of the Issuer's default. Such additional interest shall be payable on the interest payment date following demand of the State Authority. In the event that (for reasons other than the default in the payment of any municipal obligation purchased by the State Authority) the investment of amounts in the bond of the State Authority issued to provide funds to purchase this Bond fails to

provide sufficient available funds (together with any other funds which may be made available for such purpose) to pay the interest on any outstanding bond of the State Authority issued to fund such account, the Issuer shall and hereby agrees to pay on demand only the Issuer's pro rata share (as determined by the State Authority) of such deficiency as additional interest on this Bond.

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

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

This Bond is a single registered bond issued by the Village under and pursuant to and in full conformity with the Constitution and statutes of the State of Michigan (especially Act. No. 94, Public Acts of Michigan, 1933, as amended) and an Ordinance adopted by the Village Council of the Village on _____, _____ (the "Ordinance") for the purpose of paying for the construction of the Otisville 1998 Water System Improvements Project (the "Project") to provide water service for portions of the Village.

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

IN WITNESS WHEREOF, the Village of Otisville, Genesee County, Michigan, by its Village Council has caused this Bond to be executed in its name with the signatures of its Village President and its Clerk, has caused its seal to be affixed hereto, all as of the Date of Issuance.

(SEAL) Village of Otisville
By: Tom Bess, Jr., Village President

And: Jean M. Griswold, Clerk

jra/r-oti3

EXHIBIT A

PAYMENT SCHEDULE

The following payment schedule indicates repayment by the Village of the principal due on this Bond (State Purchaser). Repayment of Principal shall be made according to this schedule until the full amount delivered to the State Authority is repaid, unless prepaid as otherwise provided in the Bond. NOTHING IS TO BE WRITTEN HEREON EXCEPT BY SAID STATE AUTHORITY OR ITS DEPOSITORY.

Due Oct. 1	Amount of Principal Installment Due
1999	\$20,000
2000	\$20,000
2001	\$20,000
2002	\$20,000
2003	\$20,000
2004	\$20,000
2005	\$20,000
2006	\$20,000
2007	\$20,000
2008	\$20,000
2009	\$20,000
2010	\$20,000
2011	\$25,000
2012	\$25,000
2013	\$25,000
2014	\$25,000
2015	\$25,000
2016	\$25,000
2017	\$25,000
2018	\$25,000
2019	\$25,000
Total	\$465.000

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**ARTICLE VII
MISCELLANEOUS**

SECTION 701: Ordinance:

The Provisions of this Ordinance shall constitute a contract between the Village and the State Authority of the Bond the Ordinance shall not be repealed or amended in any respect which will adversely affect the rights and interests of the bondholder, nor shall the Village adopt any law, ordinance or resolution in any way adversely affecting the right of the holders of the Bond so long as the Bond or interest thereon remains unpaid.

SECTION 702: Purchase Contract:

The Village President and Clerk are hereby authorized to execute and deliver the Purchase Contract and Supplemental Agreement in the form approved by the Village Council, with such changes in principal payment date and amounts as may be necessary or desirable, permitted by the Act and otherwise by law, and not materially adverse to the Village so long as the interest rate on the Bond is not in excess of 4% per annum.

SECTION 703: Amendments:

The Council may make an amendment, change or modification to this Ordinance for the purpose of (i) curing any ambiguity or formal defect or omission or revising the description of the Project, (ii) issuing any additional bond, or (iii) making any other change to this Ordinance, which is not to the prejudice of the Bondholders.

SECTION 704: Remaining Proceeds:

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

SECTION 705: Operating Year:

The Operating Year of the Project is hereby determined to be the same as the fiscal year of the Village, beginning on July 1 and ending on June 30.

SECTION 706: Publication of Ordinance – Effective Date:

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

SECTION 707: Severability:

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

SECTION 708: Conflicts:

All Resolutions and Ordinances or parts thereof, insofar as the same may be in conflict with this Ordinance, are hereby repealed.

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

YES: 6 Gulash, Hudson, Hemingway, Kimes, Lutze, Bess

NO: 0 _____

ABSTAIN: _____

AUTHENTICATION

The undersigned hereby certify that Ordinance no. 159 was duly adopted by the Village Council of the Village of Otisville at a regular meeting on Monday, August 17, 1998 and that the foregoing is a true and complete copy thereof.

(Signed) Tom Bess, Jr, Village President
Jean Griswold, Village Clerk

Dated: 08/17/98

VILLAGE CLERK'S CERTIFICATION

The undersigned, being the duly qualified and acting Clerk of the Village of Otisville, Michigan, hereby certifies that (1) the foregoing is a true and complete copy of an Ordinance duly adopted by the Village Council meeting held on June 25, 1996, at which meeting a quorum was present and remained throughout, (2) the original thereof is on file in the records of the proceedings of the Village Council in my office, (3) the meeting was conducted, and public notice thereof was given, pursuant to and in full compliance with the Open Meetings Act (Act No. 267, Public Act of Michigan, 1976, as amended), and (4) minutes of such meeting were kept and will be or have been made available as required thereby.

Jean M. Griswold, Village Clerk

[SEAL]

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APPENDIX A

Project Description

The Project will consist of the following:

1. Construct 2,600 feet of 12" water main.
2. The purchase of a 9/97-acre parcel of land for the main site.
3. The purchase of a 2.07-acre parcel of land for a future well site.
4. The construction of a well house complete with piping, electrical, chemical feeders and pumping equipment.
5. The construction of an access road to the site.
6. Instruments and controls.
7. Site grading and clean up.
8. Running utilities to the site.

Cost Estimates

Construction Costs, including Contingency, and Financing Cost	\$465,000
Total Bond Issue.....	\$465,000

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