
ORDINANCE NO. 103

An Ordinance authorizing and providing for the issue of not to exceed \$1,485,000 Water Supply System Revenue Refunding Bonds, Series 2001, of the Township of Chikaming, County of Berrien, State of Michigan, for the purpose of refunding certain outstanding bonds, authorizing the execution of an escrow agreement, prescribing all the details of said bonds, and providing for the collection, segregation and distribution of the revenues of the water supply system of said Township.

Adopted by the
Township Board
on the 12th day of
April, 2001

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This Table of Contents is for convenience only and is not a part of this ordinance.

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* * *

PREAMBLES

WHEREAS, the Township of Chikaming, County of Berrien, State of Michigan (the "*Township*"), presently owns, operates and maintains a water supply system (the "*System*"), in accordance with the provisions of Act No. 94, Public Acts of Michigan, 1933, as amended (the "*Revenue Bond Act*"); and

WHEREAS, pursuant to and in accordance with the provisions of the Revenue Bond Act, and Ordinance No. 75 adopted by the Township Board of the Township (the "*Township Board*") on the 20th day of May, 1994 (the "*1994 Bond Ordinance*"), the Township has heretofore issued the following described bonds which are payable from the revenues of the System:

\$2,250,000 original issue Water Supply System Revenue and Revenue Refunding Bonds, Series 1994, dated July 1, 1994, of which \$1,805,000 are currently outstanding, bearing various rates of interest and due in varying amounts on May 1 of the years 2001 to 2014, inclusive.

(the "*1994 Bonds*"); and

WHEREAS, pursuant to the Revenue Bond Act, the Township Board is authorized and permitted to issue revenue refunding bonds (the "*Bonds*"), without referendum, payable from the revenues of the System for the purpose of refunding a portion of the 1994 Bonds, including any premium to be paid upon the calling of the 1994 Bonds; and

WHEREAS, the Township Board has heretofore, and it hereby is, determined that the Township has been authorized to issue bonds payable from the revenues of the System in the amount of not to exceed \$1,485,000 for the purpose of paying the costs of refunding a portion of the 1994 Bonds (the "Refunding") said portion of the 1994 Bonds to be refunded to be more fully described in the Escrow Agreement referred to in Section 23 herein (the "Refunded Bonds"); and

WHEREAS, the Township Board hereby determines that it is necessary, advisable and in the best interests of the Township to issue the Bonds payable from the revenues of the System on a parity with the 1994 Bonds in the aggregate principal amount of not to exceed \$1,485,000, for the purpose of paying the costs of the Refunding; and

WHEREAS, pursuant to the 1994 Bond Ordinance, the Township may issue the Bonds on a parity and sharing equally and ratably in the revenues of the System with the 1994 Bonds if the conditions set forth in Section 20 of the 1994 Bond Ordinance have been met; and

Whereas, the Township Board hereby determines that the conditions set forth in Section 20 of the 1994 Bond Ordinance have been met and that the Bonds shall be payable from the revenues of the System on a parity with the 1994 Bonds:

NOW, THEREFORE, The Township of Chikaming, County of Berrien, State of Michigan, Ordains:

Section 1. Definitions. (a) The following words and terms are as defined in the preambles hereto:

1994 Bond Ordinance
1994 Bonds
Refunding
Refunded Bonds
Revenue Bond Act
Township
Township Board

(b) The following words and terms used in this Ordinance shall have the following meanings unless the context or use clearly indicates another or different meaning is intended:

"Additional Bonds" means bonds or any other obligation to be issued subsequent in time to the Bonds and which will share ratably and equally in the earnings of the System with the Bonds and the 1994 Bonds.

"Bond" or *"Bonds"* means one or more, as applicable, of the Water Supply System Revenue Refunding Bonds, Series 2001, authorized to be issued by this Ordinance.

"Bond and Interest Account" or *"Bond Fund"* means the Bond and Interest Account in the Bond and Interest Redemption Fund of the Township created and established by the 1994 Ordinance and continued under this Ordinance.

"Bond and Interest Redemption Fund" means the Bond and Interest Redemption Fund of the Township created and established by the 1994 Ordinance and continued under this Ordinance.

"Bond Register" means the books of the Township kept by the Bond Registrar to evidence the registration and transfer of the Bonds.

"Bond Registrar" means a bank or trust company to be designated by the Designated Officials at the time of the sale of the Bonds to act as bond registrar and paying agent for the Bonds, which shall be a national or state banking organization authorized to operate and having a corporate trust office in the State of Michigan.

"Business Day" means any day which is not a Saturday, Sunday or legal holiday.

"Call Date" means the date of redemption of the Refunded Bonds, such date being May 1, 2003.

"Code" means the Internal Revenue Code of 1986, as amended.

"Department" means the Department of Treasury of the State of Michigan.

"Designated Officials" means the Supervisor and the Clerk of the Township or their successors or assigns.

"Escrow Agent" means a bank or trust company to be designated by the Designated Officials to act as escrow agent for the Refunded Bonds, which shall be a national or state banking organization authorized to operate and having a corporate trust office in the State of Michigan.

"Escrow Agreement" means the Escrow Agreement referred to in Section 23 hereof to be entered into by the Township with the Escrow Agent.

"Escrow Fund" means the Escrow Fund to be held with the Escrow Agent as described in Section 23 hereof.

"Financial Advisor" means Speer Financial, Inc., Chicago, Illinois, the duly appointed financial advisor to the Township for the sale of the Bonds.

"Maximum Annual Debt Service" means an amount of money equal to the highest future principal and interest requirement of all Outstanding Bonds required to be deposited into the Bond and Interest Account of the Bond and Interest Redemption Fund created by this Ordinance, in any Operating Year, including and subsequent to the Operating Year in which the computation is made. Any Outstanding Bonds required to be redeemed pursuant to mandatory redemption from said Bond and Interest Account shall be treated as falling due on the date required to be redeemed (except in the case of failure to make any such mandatory redemption) and not on the stated maturity date of such Outstanding Bonds.

"Net Revenues" means Revenues minus Operation and Maintenance Costs.

"Operating Year" means a twelve-month period beginning April 1 of the calendar year and ending on the next succeeding March 31.

"Operation and Maintenance Costs" means all costs of administration, operation, and such current expenses for maintenance as may be necessary to preserve the System in good repair and working order, including wages, salaries, costs of materials and supplies, power, fuel, insurance, purchase of water (including all payments by the Township pursuant to long-term contracts for such services); but excluding debt service, depreciation, or any reserve requirements; and otherwise determined in accordance with generally accepted accounting principles for municipal enterprise funds.

"Ordinance" means this ordinance, adopted by the Township Board on April 12, 2001.

"Outstanding Bonds" means Bonds, 1994 Bonds and Additional Bonds which are outstanding and unpaid; *provided, however*, such term shall not include Bonds, 1994 Bonds or Additional Bonds (i) which have matured and for which moneys are on deposit with proper paying agents, or are otherwise properly available, sufficient to pay all principal thereof and interest thereon, or (ii) the provision for payment of which has been made by the Township by the deposit in an irrevocable trust or escrow of funds or direct, full faith and credit obligations of the United States of America, the principal of and interest on which will be sufficient to pay at maturity or as called for redemption all the principal of and interest on such Bonds, 1994 Bonds or Additional Bonds.

"Paying Agent" means a bank or trust company to be designated by the Designated Officials at the time of the sale of the Bank to act as paying agent for the Bonds, which shall be a national or state banking organization authorized to operate and having a corporate trust office in the State of Michigan.

"Purchaser" means the purchaser of the Bonds pursuant to a negotiated or public sale as provided in Section 22 hereof.

"Rates" means the charges, fees, rentals, and rates that may be fixed and imposed for the services, facilities, and commodities furnished by the System.

"Receiving Fund" means the Receiving Fund of the Township created and established by the 1994 Ordinance and continued under this Ordinance.

"Revenues" means the income derived from the Rates charged for the services, facilities, and commodities furnished by the System, including income derived by reason of future improvements, enlargements, extensions, or repairs to the System. Revenues shall include earnings on investment of funds of the System and other revenues derived from or pledged to operation of the System.

"State" means the State of Michigan.

"System" means the water supply system, plants, works, instrumentalities, and properties used or useful in connection with obtaining a water supply, the treatment of water, or the distribution of water owned or to be owned by the Township.

"Tax-exempt" means, with respect to the Bonds, the status of interest paid and received thereon as not includable in the gross income of the owners thereof under the Code for federal income tax purposes except to the extent that such interest will be taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations and in computing the "branch profits tax" imposed on certain foreign corporations.

"Tax Exemption Certificate" means the Tax Exemption Certificate and Agreement to be executed by appropriate Township officials and to be dated the date of issuance of the Bonds.

Section 2. Incorporation of Preambles. The Township Board hereby finds that all of the recitals contained in the preambles to this Ordinance are full, true and correct and does hereby incorporate them into this Ordinance by this reference.

Section 3. Determination to Issue Bonds. It is necessary and in the best interests of the Township to pay the costs thereof and to pay the costs of the Refunding, and to continue to operate the System in accordance with the provisions of the Revenue Bond Act.

Section 4. Estimate of Costs; Determination of Period of Usefulness. The Township Board has heretofore caused an estimate to be made of the costs of the Refunding and the period of usefulness of the System, and the Township Board does hereby determine the amount of such estimate to be \$1,485,000 and the period of usefulness of the System to be not less than forty (40) years from the date of the Bonds.

Section 5. Bond Details. For the purpose of providing funds to undertake the Refunding, there shall be issued and sold the Bonds in the principal amount of not to exceed \$1,485,000. The Bonds shall each be designated "Water Supply System Revenue Refunding Bond, Series 2001". The Bonds shall be considered revenue refunding bonds as provided in the Revenue Bond Act. The Bonds shall be dated the date to be determined by the Designated Officials at the time of the sale of the Bonds (the "*Dated Date*"), which date shall be not later than six months after the date of this Ordinance, and shall also bear the date of authentication thereof. The Bonds shall be in fully registered form, shall be in denominations of \$5,000 each, and authorized integral multiples thereof (but no single Bond shall represent principal maturing on more than one date), shall be numbered 1 and upward, shall bear interest at the rate or rates per annum not to exceed 5.50% per annum, and shall mature serially on May 1 of each of the years (subject to redemption as hereinafter stated) and in the amounts set forth below; *provided, however,* that the Designated Officials, aided by the Financial Advisor, at the time of sale of the Bonds may approve different principal amounts for any maturity, pursuant to the authority provided in Section 22 hereof, so long as the aggregate principal amount of the Bonds shall not exceed \$1,485,000:

YEAR OF MATURITY	PRINCIPAL AMOUNT (\$)
2002	15,000
2003	15,000
2004	105,000
2005	110,000
2006	120,000
2007	125,000
2008	130,000
2009	130,000
2010	145,000
2011	145,000
2012	155,000
2013	165,000
2014	175,000

The actual rates per annum of each maturity of the Bonds shall be determined upon the sale of the Bonds as provided in Section 22 hereof; *provided, however*, that if the Bonds are sold at a discount, which discount shall not exceed 1.50% of the principal amount of the Bonds, the Bonds shall not be sold at a price which would make the net interest rate on the Bonds exceed 10.00% per annum.

Any of the Bonds may be designated at the time of sale of the Bonds by the Designated Officials, aided by the Financial Advisor and pursuant to the authority provided in Section 22 hereof, as term bonds (the "*Term Bonds*"). The Term Bonds shall be subject to mandatory redemption at a price of par and accrued interest, without premium, on May 1 of the years and in the amounts approved by the Designated Officials at the time of sale of the Bonds.

The Bonds shall bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of the Bonds is paid, such interest (computed upon the basis of a 360-day year of twelve 30-day months), being payable on May 1 and November 1 of each year, commencing on the date (a November 1 or May 1) to be determined by the Designated Officials at the time of the sale of the Bonds, which date shall be not later than one year from the Dated Date of the Bonds. Interest on each

Bond shall be paid by check or draft of the Paying Agent, payable upon presentation in lawful money of the United States of America, to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date, or as otherwise may be agreed with DTC (as hereinafter referred) for so long as DTC is the registered owner. The principal of the Bonds shall be payable upon presentation in lawful money of the United States of America at the designated office of the Paying Agent.

Section 6. Term Bonds, Mandatory Redemption and Covenants. Term Bonds shall be subject to mandatory redemption by operation of the Bond and Interest Redemption Fund at a price of par and accrued interest, without premium, on the dates and years and in the amounts as provided in Section 5 above.

The Township covenants that it will redeem Term Bonds pursuant to the mandatory redemption requirement for such Term Bonds. Proper provision for mandatory redemption having been made, the Township covenants that the Term Bonds so selected for redemption shall be payable as at maturity.

Section 7. Effect of Purchase or Redemption on Term Bonds. If the Township redeems Term Bonds pursuant to optional redemption or purchases Term Bonds of any maturity and cancels the same from funds on deposit in the Bond Fund as hereinafter described, then an amount equal to the principal amount of Term Bonds so redeemed or purchased shall be deducted from the mandatory redemption requirement as provided for Term Bonds of such maturity, first, in the current year of such requirement, until the requirement for the current year has been fully met, and then in any order of such Term Bonds as due at maturity or subject to mandatory redemption in any year, as the Township shall determine.

If the Township redeems pursuant to optional redemption or purchases Term Bonds of any maturity and cancels the same from moneys other than funds on deposit in the Bond Fund,

then an amount equal to the principal amount of Term Bonds so redeemed or purchased shall be deducted from the amount of such Term Bonds as due at maturity or subject to mandatory redemption requirement in any year, as the Township shall determine.

Section 8. Optional Redemption; Redemption Procedure. The Bonds due on the date, if any, specified by the Designated Officials at the time of the sale of the Bonds (but not earlier than May 1, 2005), shall be subject to redemption and payment prior to their maturity, at the option of the Township, in whole or in part, from any available funds, on a date to be determined by the Designated Officials at the time of the sale of the Bonds, or on any date thereafter, and if in part, in an amount which is equal to at least \$5,000 or is an integral multiple thereof, in any order of maturities and within any maturity by lot, at the redemption price (expressed as a percentage of the principal amount redeemed and not to exceed 103% of the par amount to be redeemed) to be determined by the Designated Officials at the time of the sale of the Bonds and accrued interest to the date fixed for redemption.

The Bonds shall be redeemed only in the principal amount of \$5,000 each and integral multiples thereof. The Township shall, at least forty-five (45) days prior to the redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar), notify the Bond Registrar of such redemption date and of the principal amount of Bonds to be redeemed.

In the event of a partial redemption of Bonds of a given maturity, the particular Bonds or portions thereof to be redeemed shall be selected by lot not more than sixty (60) days prior to the redemption date by the Bond Registrar. With respect to partial redemptions, the Bond Registrar shall select the Bonds or portions thereof to be redeemed by such method of lottery as the Bond Registrar shall deem fair and appropriate; *provided* that such lottery shall provide for the selection for redemption of Bonds or portions thereof so that any \$5,000 Bond or \$5,000 portion

of a Bond shall be as likely to be called for redemption as any other such \$5,000 Bond or \$5,000 portion.

The Bond Registrar shall promptly notify the Township in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

Unless waived by the owner of Bonds to be redeemed, notice of any such redemption shall be given by the Bond Registrar on behalf of the Township by mailing the redemption notice by first class mail not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to each registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owners to the Bond Registrar.

All notices of redemption shall include at least the information as follows:

- (1) the redemption date;
- (2) the redemption price;
- (3) if less than all of the Bonds of a single maturity are to be redeemed, the identification (and, in the case of partial redemption of any Bonds, the respective principal amounts) of the Bonds to be redeemed;
- (4) a statement that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after said date; and
- (5) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Bond Registrar.

Prior to any redemption date, the Township shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Township shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular registered owner, shall affect the sufficiency of such notice with respect to other Bonds. Notice having been properly given, failure of a registered owner to receive such notice shall not be deemed to invalidate, limit or delay the effect of the notice or redemption action described in the notice. Such notice may be waived in writing by a registered owner entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by registered owners shall be filed with the Bond Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity and rate of interest in the amount of the unpaid principal.

If any Bond or portion of Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the redemption date at

the rate borne by the Bond or portion of Bond so called for redemption. All Bonds which have been redeemed shall be cancelled and destroyed by the Bond Registrar and shall not be reissued.

Additional Bonds hereinafter issued pursuant to the terms hereof may be redeemable at such times and upon such terms as may be determined at the time of authorization thereof.

Section 9. Amendment. The rights and obligations of the Township and of the owners of Outstanding Bonds may from time to time be modified or amended by a supplemental ordinance adopted by the Township Board with the written consent of the owners of not less than two-thirds (2/3rds) of the principal amount of all Outstanding Bonds (excluding any of said bonds owned by or under the control of the Township); *provided, however,* that no such modification or amendment shall extend or change the maturity of or date of redemption prior to maturity, or reduce the interest rate on, or permit the creation of a preference or priority of any Outstanding Bond or Outstanding Bonds over any other Outstanding Bond or Outstanding Bonds, or otherwise alter or impair the obligation of the Township to pay the principal of and interest on any of the Outstanding Bonds at the time, place, rate, and in the currency provided therein, or alter or impair the obligations of the Township with respect to registration, transfer, exchange or notice of redemption of Bonds, without the express consent of the owners of all the Outstanding Bonds affected; nor shall any such modification or amendment reduce the percentage of the owners of Outstanding Bonds required for the written consent of such modification or amendment without the consent of the owners of all of the Outstanding Bonds.

Section 10. Execution; Authentication. The Bonds shall be executed on behalf of the Township with the manual or duly authorized facsimile signature of the Supervisor and attested with the manual or duly authorized facsimile signature of the Clerk, as they may determine, and shall have impressed or imprinted thereon the corporate seal or facsimile thereof of the Township. In case any officer whose signature shall appear on any Bond shall cease to be such

officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

All Bonds shall have thereon a certificate of authentication substantially in the form hereinafter set forth duly executed by the Bond Registrar as authenticating agent of the Township and showing the date of authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Ordinance unless and until such certificate of authentication shall have been duly executed by the Bond Registrar by manual signature, and such certificate of authentication upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Ordinance. The certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder.

Section 11. Registration of Bonds; Persons Treated as Owners. (a) The Township shall cause the Bond Register to be kept at the designated office of the Bond Registrar, which is hereby constituted and appointed the registrar of the Township. The Township is authorized to prepare, and the Bond Registrar or such other agent as the Township may designate shall keep custody of, multiple Bond blanks executed by the Township for use in the transfer and exchange of Bonds.

Upon surrender for transfer of any Bond at the designated office of the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by, the registered owner or his or her attorney duly authorized in writing, the Township shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of the same maturity and rate of interest of authorized denominations, for a like

aggregate principal amount. Any fully registered Bond or Bonds may be exchanged at said office of the Bond Registrar for a like aggregate principal amount of Bond or Bonds of the same maturity and rate of interest of other authorized denominations. The execution by the Township of any fully registered Bond shall constitute full and due authorization of such Bond; and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond; *provided, however,* the principal amount of outstanding Bonds of each maturity authenticated by the Bond Registrar shall not at any one time exceed the authorized principal amount of Bonds for such maturity less the amount of such Bonds which have been paid.

The Bond Registrar shall not be required to transfer or exchange any Bond during the period from the fifteenth day of the month next preceding an interest payment date to such interest payment date, or to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, or to transfer or exchange any Bond during a period of fifteen days next preceding mailing of a notice of redemption of any Bonds.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any Bond shall be made only to or upon the order of the registered owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

No service charge shall be made for any transfer or exchange of Bonds, but the Township or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

(b) *Global Book-Entry System.* The Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities of the Bonds determined as described in Section 5 hereof. Upon initial issuance, the ownership of each such Bond shall be registered in the Bond Register in the name of Cede & Co., or any successor thereto ("*Cede*"), as nominee of The Depository Trust Company, New York, New York, and its successors and assigns ("*DTC*"). All of the outstanding Bonds shall be registered in the Bond Register in the name of Cede, as nominee of DTC, except as hereinafter provided. The Supervisor and the Clerk of the Board and the Bond Registrar are each authorized to execute and deliver, on behalf of the Township, such letters to or agreements with DTC as shall be necessary to effectuate such book-entry system (any such letter or agreement being referred to herein as the "*Representation Letter*"), which Representation Letter may provide for the payment of principal of or interest on the Bonds by wire transfer.

With respect to Bonds registered in the Bond Register in the name of Cede, as nominee of DTC, the Township and the Bond Registrar shall have no responsibility or obligation to any broker-dealer, bank or other financial institution for which DTC holds Bonds from time to time as securities depository (each such broker-dealer, bank or other financial institution being referred to herein as a "*DTC Participant*") or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Township and the Bond Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register, of any

amount with respect to the principal of or interest on the Bonds. The Township and the Bond Registrar may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Bond Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the respective registered owners of the Bonds, as shown in the Bond Register, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Township's obligations with respect to payment of the principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner of a Bond as shown in the Bond Register, shall receive a Bond evidencing the obligation of the Township to make payments of principal and interest with respect to any Bond. Upon delivery by DTC to the Bond Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the provisions in Section 5 hereof with respect to the payment of interest to the registered owners of Bonds at the close of business on the 15th day of the month next preceding the applicable interest payment date, the name "Cede" in this Ordinance shall refer to such new nominee of DTC.

In the event that (i) the Township determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (ii) the agreement among the Township, the Bond Registrar and DTC evidenced by the Representation Letter shall be terminated for any reason or (iii) the Township determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Township shall notify DTC and DTC Participants of the availability through DTC of certificated Bonds and the

Bonds shall no longer be restricted to being registered in the Bond Register in the name of Cede, as nominee of DTC. At that time, the Township may determine that the Bonds shall be registered in the name of and deposited with such other depository operating a universal book-entry system, as may be acceptable to the Township, or such depository's agent or designee, and if the Township does not select such alternate universal book-entry system, then the Bonds may be registered in whatever name or names registered owners of Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions of Section 11(a) hereof.

Notwithstanding any other provisions of this Ordinance to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the name provided in the Representation Letter.

Section 12. Form of Bond. The Bonds shall be in substantially the form hereinafter set forth; *provided, however,* that if the text of the Bond is to be printed in its entirety on the front side of the Bond, then paragraph [2] and the legend, "See Reverse Side for Additional Provisions," shall be omitted and paragraphs [6] through [16] shall be inserted immediately after paragraph [1]. The form of Bond hereinafter set forth shall not be published as a part of this Ordinance.

[DO NOT PUBLISH FORM OF BOND]

(FORM OF BOND — FRONT SIDE)

REGISTERED
No. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF BERRIEN
TOWNSHIP OF CHIKAMING
WATER SUPPLY SYSTEM REVENUE REFUNDING BOND
SERIES 2001

See Reverse Side for
Additional Provisions

Interest Maturity Dated
Rate: Date: May 1, _____ Date: _____, 2001 CUSIP _____

Registered Owner: CEDE & Co.

Principal Amount:

THIS BOND IS ISSUED UNDER THE REVENUE BOND ACT OF 1933 OF THE STATE OF MICHIGAN, ACT NO. 94, PUBLIC ACTS OF MICHIGAN, 1933. THIS BOND IS A SELF-LIQUIDATING BOND AND IS NOT A GENERAL OBLIGATION OF THE TOWNSHIP OF CHIKAMING, COUNTY OF BERRIEN, STATE OF MICHIGAN, AND DOES NOT CONSTITUTE AN INDEBTEDNESS OF SAID TOWNSHIP WITHIN ANY CONSTITUTIONAL, STATUTORY OR CHARTER LIMITATION. THE PRINCIPAL OF AND THE INTEREST ON THIS BOND ARE PAYABLE SOLELY FROM THE REVENUES OF THE TOWNSHIP'S WATER SUPPLY SYSTEM (AS HEREINAFTER DEFINED), AND THE PAYMENT OF SUCH PRINCIPAL AND INTEREST IS SECURED BY A STATUTORY LIEN ON SUCH REVENUES. THE TOWNSHIP COVENANTS AND AGREES TO MAINTAIN AT ALL TIMES RATES FOR SERVICES FURNISHED BY ITS WATER SUPPLY SYSTEM SUFFICIENT TO PROVIDE FOR THE PAYMENT OF OPERATION AND MAINTENANCE COSTS OF SAID SYSTEM, PAYMENT OF PRINCIPAL OF AND INTEREST ON BONDS PAYABLE FROM THE REVENUES OF SAID SYSTEM, CREATION OF A RESERVE FOR SUCH BONDS, AND OTHER EXPENDITURES FOR SAID SYSTEM AS THE ORDINANCE AUTHORIZING THIS BOND MAY REQUIRE.

[1] KNOW ALL PERSONS BY THESE PRESENTS, that the Township of Chikaming, County of Berrien, State of Michigan, a public corporation of the State of Michigan (the "Township"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date

identified above, the Principal Amount identified above and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on such Principal Amount from the date of this Bond or from the most recent interest payment date to which interest has been paid at the Interest Rate per annum identified above, such interest to be payable on May 1 and November 1 of each year, commencing _____, 200_, until said Principal Amount is paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be and become applicable hereto. Principal of this Bond is payable in lawful money of the United States of America upon presentation at the designated office of _____ located at _____, _____, as paying agent (the "*Paying Agent*"). Payment of interest shall be made to the Registered Owner hereof as appearing on the registration books of the Township maintained by _____ located at _____, _____, as bond registrar (the "*Bond Registrar*"), at the close of business on the 15th day of the month next preceding the interest payment date and shall be paid by check or draft of the Paying Agent, payable upon presentation in lawful money of the United States of America, mailed to the address of such Registered Owner as it appears on such registration books or at such other address furnished in writing by such Registered Owner to the Bond Registrar, or as otherwise may be agreed with The Depository Trust Company for so long as The Depository Trust Company is the owner.

[2] Reference is hereby made to the further provisions of this Bond set forth on the reverse hereof, and such further provisions shall for all purposes have the same effect as if set forth at this place.

[3] It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the issuance of this Bond have been done and have happened and have been performed in regular and due form of law and that provision has been made for depositing into the Receiving Fund the entire Revenues received from the operation of the System to be

applied in the manner as hereinabove set forth; and the Township hereby covenants and agrees that it will fix and maintain rates for the use and service of the System and collect and account for the Revenues derived therefrom sufficient at all times to pay Operation and Maintenance Costs, to pay the principal of and interest on all bonds issued by the Township which are payable solely from the Revenues of the System, to provide a reserve for such bonds, to provide an adequate depreciation fund, and to comply with all the covenants of and to maintain the funds and accounts created by the Bond Ordinance.

[4] This Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Bond Registrar.

[5] IN WITNESS WHEREOF, the Township of Chikaming, County of Berrien, State of Michigan, by its Township Board has caused this Bond to be executed with the manual or duly authorized facsimile signature of its Supervisor and attested by the manual or duly authorized facsimile signature of its Clerk and its corporate seal or a facsimile thereof to be impressed or reproduced hereon, all as appearing hereon and as of the Dated Date identified above.

Supervisor, Township of Chikaming,
County of Berrien, State of Michigan

ATTEST:

Clerk, Township of Chikaming,
County of Berrien, State of Michigan

(SEAL)

Date of Authentication: _____, _____

CERTIFICATE
OF
AUTHENTICATION

Bond Registrar and Paying Agent:

_____, _____

This Bond is one of the Bonds described in the within mentioned Bond Ordinance and is one of the Water Supply System Revenue Refunding Bonds, Series 2001, of the Township of Chikaming, County of Berrien, State of Michigan.

as Bond Registrar

By _____
Authorized Officer

**THE TOWNSHIP OF CHIKAMING, COUNTY OF BERRIEN, MICHIGAN
WATER SUPPLY SYSTEM REVENUE REFUNDING BOND,
SERIES 2001**

[6] This bond and the bonds of the series of which it forms a part ("*Bond*" and "*Bonds*" respectively) are of an authorized issue of \$1,485,000, of like dated date and tenor except as to maturity, rate of interest and privilege of redemption. The Bonds are payable solely from the Revenues derived from the operation of the water supply system of the Township (the "*System*"), after payment of Operation and Maintenance Costs (the "*Net Revenues*"), and not otherwise, and are issued under authority of the provisions of the Revenue Bond Act of 1933 of the State of Michigan, Act No. 94, Public Acts of Michigan, 1933, as amended ("*Revenue Bond Act*"). The Bonds are issued for the purpose of refunding a portion of the Township's Water Supply System Revenue and Revenue Refunding Bonds, Series 1994. The Bonds shall be considered revenue refunding bonds as provided in the Revenue Bond Act. The Bonds are issued pursuant to a bond ordinance passed by the Township Board on the 12th day of April, 2001 (the "*Bond Ordinance*"), to which reference is hereby expressly made for further definitions and terms and to all the provisions of which the holder by the acceptance of this Bond assents. This Bond does not constitute an indebtedness of the Township within the meaning of any constitutional, charter or statutory limitation. This Bond is a limited obligation of the Township payable solely from the Net Revenues as provided herein.

[7] Under the Revenue Bond Act and the Bond Ordinance, the Revenues from the operation of the System shall be deposited into the Receiving Fund, which shall be used only and is hereby pledged for paying Operation and Maintenance Costs, paying the principal of and interest on all bonds of the Township that are payable by their terms only from the Revenues of the System, providing a reserve for such bonds, providing an adequate depreciation fund, and in making all payments required to maintain the funds and accounts maintained under the terms of

the Bond Ordinance. The Township has heretofore issued its \$2,250,000 original issue Water Supply System Revenue and Revenue Refunding Bonds, Series 1994, dated July 1, 1994, of which \$1,805,000 are currently outstanding (the "1994 Bonds"). The Bonds are being issued to refund a portion of the 1994 Bonds. Additional bonds may be issued subsequent in time to the Bonds, on a parity with the Bonds (such additional bonds, together with the Bonds and the 1994 Bonds, being the "Outstanding Bonds").

[8] Outstanding Bonds issued and authenticated pursuant to the Bond Ordinance are co-equal as to the lien on the Revenues of the System for their payment and share ratably and equally in the earnings of the System, without any preference, priority, or distinction, the one over the other, as to the source or method of payment and security, with all of the Outstanding Bonds.

[9] The rights and obligations of the Township and of the owners of the Bonds may from time to time be modified or amended by a supplemental ordinance adopted by the Township Board with the written consent of the owners of not less than two-thirds (2/3rds) of the principal amount of all Outstanding Bonds (excluding any of said bonds owned by or under the control of the Township); *provided, however*, that no such modification or amendment shall extend or change the maturity of or date of redemption prior to maturity, or reduce the interest rate or premium on, or permit the creation of a preference or priority of any Outstanding Bond or Outstanding Bonds over any other Outstanding Bond or Outstanding Bonds, or otherwise alter or impair the obligation of the Township to pay the principal of or interest on any of the Outstanding Bonds at the time, place, rate and in the currency provided therein or alter or impair the obligations of the Township with respect to registration, transfer, exchange or notice of redemption of Bonds, without the express consent of the owners of all the Outstanding Bonds affected; nor shall any such modification or amendment reduce the percentage of the owners of

Outstanding Bonds required for the written consent to such modification or amendment without the consent of the owners of all of the Outstanding Bonds.

[10] The Bonds maturing on _____ are Term Bonds and are subject to mandatory redemption at a price of par and accrued interest, without premium, on May 1 of the years and in the amounts as follows:

YEAR	AMOUNT (\$)
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[11] The Bonds due on May 1, _____, and thereafter are subject to redemption at the option of the Township in whole or in part, and if in part, in any order of maturity and within any maturity by lot, on May 1, _____, or any date thereafter, at a price of par and accrued interest to the date fixed for redemption.

[12] Unless waived by the Registered Owner of Bonds to be redeemed, notice of any such redemption shall be sent by first class mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the Registered Owner of each Bond to be redeemed at the address shown on the registration books of the Township maintained by the Bond Registrar or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar. Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular Registered Owner, shall affect the sufficiency of such notice with respect to other Bonds. Notice having been properly given, failure of a Registered Owner

to receive such notice shall not be deemed to invalidate, limit or delay the effect of the notice or redemption action described in the notice. Such notice may be waived in writing by a Registered Owner entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by registered owners shall be filed with the Bond Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. When so called for redemption, this Bond will cease to bear interest on the specified redemption date, provided funds for redemption are on deposit at the place of payment at that time.

[13] This Bond is transferable by the Registered Owner hereof in person or by his or her attorney duly authorized in writing at the principal corporate trust office of the Bond Registrar only in the manner, subject to the limitations and upon payment of the charges provided in the Bond Ordinance, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized denominations of the same maturity and rate of interest and for the same aggregate principal amount will be issued to the transferee in exchange therefor.

[14] The Bonds are issued in fully registered form in the denomination of \$5,000 each or authorized integral multiples thereof. This Bond may be exchanged at the principal corporate trust office of the Bond Registrar for a like aggregate principal amount of Bonds of the same maturity and rate of interest of other authorized denominations upon the terms set forth in the Bond Ordinance.

[15] The Township, the Paying Agent and the Bond Registrar may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the Township, the Paying Agent nor the Bond Registrar shall be affected by any notice to the contrary.

[16] The Township has designated this Bond as a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

(ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint _____

as attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Section 13. Bonds Limited Obligations. The Bonds shall be payable solely from the Net Revenues as derived from the operation of the System, and shall not constitute an indebtedness of the Township within the meaning of any constitutional, statutory or charter limitation.

Section 14. Receiving Fund. Upon the issuance of any of the Bonds, the System, for the purpose of this Ordinance and while any of the Bonds is an Outstanding Bond, shall be operated on an Operating Year basis. All of the Revenues shall be set aside as collected and be deposited into a separate fund and in an account in a bank to be designated by the Township Board, which fund was created by the 1994 Bond Ordinance, designated as the "Receiving Fund" (the "Receiving Fund") of the Township and is hereby maintained and continued, which fund shall

constitute a trust fund for the sole purpose of carrying out the covenants, terms, and conditions of this Ordinance and the 1994 Bond Ordinance, and shall be used only for the purpose of setting aside and transferring Revenues for paying Operation and Maintenance Costs, providing a reserve for the Bonds, providing an adequate depreciation fund, paying the principal of and interest on all revenue bonds of the Township which by their terms are payable solely from the Revenues derived from the System, and providing for the establishment of and expenditure from the respective accounts as hereinafter described.

Section 15. Creation of Special Funds; Flow of Funds The Revenues are pledged for the purposes of the following funds, created under the 1994 Bond Ordinance and hereby continued: the "Operation and Maintenance Fund", the "Bond and Interest Redemption Fund", in which there are hereby created the "Bond and Interest Account" and the "Bond Reserve Account", the "Depreciation, Improvement and Extension Fund", and the "Surplus Fund." The Revenues as collected shall be set aside in the Receiving Fund and transferred into such funds by the Treasurer of the Township on the first Business Day of each month, without any further official action or direction, in the order in which said funds are hereinafter mentioned, as follows:

A. OPERATION AND MAINTENANCE FUND:

There shall be transferred to the Operation and Maintenance Fund an amount sufficient, when added to the amount then on deposit to the credit of said Fund, to establish a balance to an amount not less than the amount necessary to pay Operation and Maintenance Costs for the then current month. Amounts in said Fund shall be used to pay Operation and Maintenance Costs.

B. BOND AND INTEREST REDEMPTION FUND:

(1) There next shall be transferred to the Bond and Interest Account of the Bond and Interest Redemption Fund and held, in cash and investments, a fractional amount of the interest becoming due on the next succeeding interest payment date on all Outstanding Bonds and also a fractional amount of the principal becoming due or subject to mandatory redemption on the next succeeding principal maturity or mandatory

redemption date of all of the Outstanding Bonds until there shall have been accumulated and held, in cash and investments, in the Bond and Interest Account on or before the last day of the month preceding such maturity date of interest or maturity or mandatory redemption date of principal, an amount sufficient to pay such principal or interest, or both.

In computing the fractional amount to be set aside each month in the Bond and Interest Account, the fraction shall be so computed that a sufficient amount will be set aside in said Account and will be available for the prompt payment of such principal of and interest on all Outstanding Bonds and shall be not less than one-sixth of the interest becoming due on the next succeeding interest payment date and not less than one-twelfth of the principal becoming due or subject to mandatory redemption on the next succeeding principal payment or mandatory redemption date on all Outstanding Bonds until there is sufficient money in said Account to pay such principal or interest, or both.

Credits to the Bond and Interest Account may be suspended in any Operating Year at such time as there shall be a sufficient sum, held in cash and investments, in said Account to meet principal and interest requirements in said Account for the balance of such Operating Year, but such credits shall again be resumed at the beginning of the next Operating Year.

All moneys in said Account shall be used only for the purpose of paying interest on and principal of Outstanding Bonds.

(2) Amounts currently on deposit in the Bond Reserve Account shall remain in the Bond Reserve Account upon the issuance of the Bonds.

In the event of a withdrawal from the Bond Reserve Account, the Township covenants to replenish the Bond Reserve Account at the rate per month of $\frac{1}{12}$ of the amount withdrawn. If the amount on deposit to the credit of the Bond Reserve Account exceeds Maximum Annual Debt Service, the Township Board shall credit such excess to the Depreciation, Improvement and Extension Fund or transfer such excess to the Surplus Fund, as they determine.

Amounts to the credit of the Bond Reserve Account shall be transferred to the Bond and Interest Account to pay principal of and interest on the Outstanding Bonds at any time when there are insufficient funds available in the Bond and Interest Account to pay the same.

Moneys in the Bond Reserve Account may be used to pay principal of and interest on Bonds due on May 1, 2014, so long as no Outstanding Bonds shall remain outstanding at the time of such payment, without replenishing the Bond Reserve Account.

C. DEPRECIATION, IMPROVEMENT AND EXTENSION FUND:

Amounts currently on deposit in the Depreciation, Improvement and Extension Fund (the "*Depreciation Fund*") shall remain on deposit in the Depreciation Fund upon the issuance of the Bonds.

Beginning the month after the delivery of any of the Bonds, there shall be transferred to the Depreciation Fund and held, in cash and investments, the sum of \$2,000 each month until the amount on deposit to the credit of said Fund aggregates the sum of not less than \$150,000. Whenever for any reason the amount on deposit to the credit of said Fund is less than \$150,000, credits into said Fund shall be resumed in the amount of \$2,000 each month and continued until the amount on deposit to the credit of said Fund is once again equal to not less than \$150,000.

Amounts to the credit of said Depreciation Fund shall be used for (i) the payment of the cost of extraordinary maintenance, necessary repairs and replacements, or contingencies, the payment for which no other funds are available, in order that the System may at all times be able to render efficient service, (ii) for the purpose of acquiring or constructing improvements and extensions to the System, and (iii) the payment of principal of or interest on any Outstanding Bonds at any time when there are no other funds available for that purpose in order to prevent a default and shall be transferred to the Bond and Interest Account of the Bond and Interest Redemption Fund for such purpose without any further official action of the Township Board.

Notwithstanding the foregoing, whenever an amount is withdrawn from such Fund for the purpose stated in clause (iii) of the preceding paragraph, the amount so transferred shall be added to the amount to be next and thereafter credited to said Depreciation Fund until full reimbursement to said Fund has been made. Each expenditure to be made from such Fund for a purpose stated in clause (i) or (ii) of the preceding paragraph shall be made only after an independent registered professional engineer employed for that purpose has certified that such expenditure is necessary to the continued effective and efficient operation of the System.

D. SURPLUS FUND:

Any moneys remaining in the Receiving Fund at the end of any Operating Year are deemed surplus and shall be transferred to the Surplus Fund. Amounts in the Surplus Fund may be transferred to the funds hereinabove mentioned or may be used for such purpose or purposes as the Township Board may determine to be for the best interests of the Township, including, without any priority among them, the following:

(1) For the purpose of making additional deposits in any of the funds or accounts hereinabove named; or

(2) For the purpose of constructing, installing or acquiring repairs, replacements, renewals, improvements or extensions to the System; or

(3) For the purpose of calling and redeeming Outstanding Bonds which are callable at the time; or

(4) For the purpose of purchasing Outstanding Bonds at the time at a price of not to exceed par and accrued interest to the date of purchase; or

(5) For the purpose of paying principal of and interest and applicable premium on any subordinate bonds or obligations issued for the purpose of acquiring, installing or constructing repairs, replacements, renewals, improvements and extensions to the System.

E. In the event that moneys in the Receiving Fund are insufficient to provide for the current requirements of the Operation and Maintenance Fund or the Bond and Interest Redemption Fund, any moneys and or securities in the other funds hereinabove mentioned shall be transferred first to the Operation and Maintenance Fund and second to the Bond and Interest Redemption Fund to the extent of any deficits therein.

F. (1) Moneys in the several funds hereinabove mentioned shall be deposited with one or more banks, savings and loan associations, or credit unions hereafter designated by the Township Board. Moneys in the Bond and Interest Redemption Fund, including reserve money, shall be kept on deposit with the bank, trust company, savings and loan association, or credit union or with one of the banks, trust companies, savings and loan associations, and credit unions, at which the principal and interest on the Bonds are currently payable. Moneys in the several funds hereinabove mentioned, except money in the Bond and Interest Redemption Fund and money derived from the proceeds of sale of the Bonds, may be kept in one account at a bank, savings and loan association, or credit union. In that case the money in the account shall be allocated on the books and records of the Township to the funds in the manner provided in this Ordinance. Moneys in the several funds may be kept in separate depository accounts. The moneys in the Bond and Interest Redemption Fund shall be kept in a separate depository account.

(2) Subject to the limitations and conditions of (5) below, moneys in the several funds may be invested in one or more of the following:

(a) United States government obligations.

(b) Obligations the principal and interest on which is fully guaranteed by the United States.

(c) Repurchase agreements that are secured by United States government obligations or obligations fully guaranteed by the United States and that are held by an independent third party.

(d) Certificates of deposit or other accounts of, or bankers' acceptances of, one or more of the following:

(i) Banks that are members of the Federal Deposit Insurance Corporation.

(ii) Savings and loan associations that are members of the Federal Savings and Loan Insurance Corporation (or a successor thereof).

(iii) Credit unions whose accounts are insured by the National Credit Union Share Insurance Fund (or a successor thereof).

(e) Commercial paper that is rated in the highest category by a nationally recognized rating agency.

(f) Obligations of a state of the United States or of a political subdivision of a state of the United States that are rated in one of the three highest categories by a nationally recognized rating agency.

(g) A collective investment fund that invests solely in one or more of the securities authorized for investment by this subsection.

(3) Investment of money in the Bond and Interest Redemption Fund being accumulated for payment of the next maturing principal or interest on the Bonds is limited to one or more of the following:

(a) United States government obligations, or obligations the principal and interest of which are fully guaranteed by the United States, that mature not later than 10 days after the date for payment of the maturing principal or interest for which the money is being accumulated.

(b) Repurchase agreements that are to settle on or before the date set for payment and that are secured by United States government obligations or obligations fully guaranteed by the United States and that are held by an independent third party.

(4) The securities representing an investment under this section shall be kept on deposit with the bank, trust company, savings and loan association, or credit union having the deposit of the funds from which the purchase was made. Investment earnings shall be credited to the fund to which the investment belongs unless otherwise provided herein.

(5) To the extent moneys in said funds as described in this section are held uninvested and on deposit in demand accounts, such amounts shall be added

to the amount invested pursuant to (2) and (3) above and the sum so derived shall be subject to the limitations as set forth therein. Investments in the funds and accounts shall mature or be subject to redemption at the option of the holder thereof prior to the time when needed, and, in any event, within the times as follows:

FUND OR ACCOUNT	TIME
Operation and Maintenance Fund	45 days
Bond and Interest Account	1 year
Bond Reserve Account	3 years
Depreciation Fund	5 years
Surplus Fund	5 years

All interest on any funds so invested shall be credited to the fund or account for which the investment was made and is hereby deemed and allocated as expended with the next expenditure(s) of money from such fund or account.

Moneys in any of said funds or accounts shall be invested by the Treasurer of the Township, if necessary, in investments restricted as to yield, which investments may be in United States Treasury Obligations — State and Local Government Series, if available, and to such end the Treasurer of the Township shall refer to any investment restrictions covenanted by the Township or any officer thereof as part of the transcript of proceedings for the issuance of the Bonds, and to appropriate opinions of counsel.

Section 16. Rates for Service; Covenant. (a) Pursuant to Ordinance No. 74, adopted on the 10th day of March, 1994 (the "Rate Ordinance"), the Township Board has heretofore fixed the Rates for services furnished by the System. The Rates are sufficient to provide for all the following:

- (1) The payment of Operation and Maintenance Costs;
 - (2) The payment of principal of and interest on bonds payable from the Revenues, including the Refunded Bonds until the Call Date, the Bonds, and any Outstanding Bonds;
 - (3) The creation of any reserve for the Bonds as required in this Ordinance; and
 - (4) Other expenditures and funds for the System as this Ordinance may require.
- (b) The Township hereby covenants and agrees to maintain at all times the Rates for services furnished by the System sufficient to provide for the amounts described in (a) above.

Section 17. Rates to Be a Lien on the Premises. Charges for services furnished by the System to a premises shall be a lien on the premises, and on September 1 of each year the Utilities Coordinator of the Water Department of the Township shall certify any such charges which have been delinquent for six months or more to the Supervisor, as tax assessing officer for the Township, who shall enter the same upon the next tax roll against the premises to which the services shall have been rendered, and the charges shall be collected and the lien shall be enforced in the same manner as provided for the collection of taxes assessed upon the roll and the enforcement of the lien for the taxes. However, in a case when a tenant is responsible for the payment of the charges and the Township Board is so notified in writing, the notice to include a copy of the lease of the affected premises, if there is one, then the charges shall not become a lien against the premises after the date of the notice. In the event of filing of the notice, the Township shall render no further service to the premises until a cash deposit in the sum of \$50.00 is made as security for the payment of the charges. In addition to any other lawful enforcement methods, the payment of charges for water service to any premises may be enforced by discontinuing the water service to the premises as provided in the Rate Ordinance.

Section 18. Pledge of Net Revenues; Lien on Net Revenues Created; Enforcement.

(a) The principal of and interest on Outstanding Bonds shall be payable solely from the Net Revenues.

(b) There is hereby created a lien, by the Revenue Bond Act made a statutory lien, upon the Net Revenues, to and in favor of the holders of Outstanding Bonds, and each of such holders. The Net Revenues which are hereby pledged to the payment of all Outstanding Bonds shall be and remain subject to such lien until (i) the payment in full of the principal of and interest on all Outstanding Bonds or (ii) the provision for payment of all Outstanding Bonds has been made by the Township by the deposit in an irrevocable trust or escrow of funds or direct,

full faith and credit obligations of the United States of America, the principal of and interest on which will be sufficient to pay at maturity or as called for redemption all the principal of and interest on such Outstanding Bonds.

(c) The holders of not less than 20% in the aggregate of the Outstanding Bonds may protect and enforce such lien and enforce and compel the performance of all duties of the officials of the Township, including the fixing of sufficient Rates, the collection of Revenues, the proper segregation of Revenues, and the proper application of the Revenues; *provided, however*, such lien shall not be construed to give a holder of a Bond authority to compel the sale of the System.

If there is a default in the payment of the principal of or interest on the Bonds, any court having jurisdiction in any proper action may appoint a receiver to administer and operate the System on behalf of the Township and under the direction of the court, and by and with the approval of the court to perform all of the duties of the officers of the Township more particularly set forth herein and in the Revenue Bond Act.

The registered owner or owners of the Bonds shall have all other rights and remedies given by the Revenue Bond Act for the payment and enforcement of the Bonds and the security therefor.

Section 19. General Covenants. The Township covenants and agrees with the holders of the Outstanding Bonds, so long as there are any Outstanding Bonds (as defined herein), as follows:

(a) The Township will maintain the System in good repair and working order, will operate the same efficiently and faithfully, and will punctually perform all duties with respect thereto required by the Constitution and laws of the State.

(b) The Township will establish and maintain at all times reasonable fees, charges, and rates for the use and service of the System and will provide for the collection thereof and the segregation and application of the Revenues in the manner provided by this ordinance, sufficient at all times to pay Operation and Maintenance

Costs, to pay the principal of and interest on all revenue bonds of the Township which by their terms are payable solely from the Revenues, and to provide for the creation and maintenance of the respective accounts as provided in Section 15 of this Ordinance.

There shall be charged against all users of the System, including the Township, such rates and amounts for water services as shall be adequate to meet the requirements of this subsection. Rates for water fixed precedent to the issuance of the Bonds shall not be reduced until all of the Bonds have been fully paid or provision for payment has been provided for in accordance with the provisions of this Ordinance. Charges for services rendered the Township shall be made against the Township, and payment for the same shall be made monthly or quarterly, in the discretion of the Township Board, from the corporate funds into the Receiving Fund as Revenues derived from the operation of the System.

Whenever money in the Bond Reserve Account is used to pay principal of or interest on Outstanding Bonds, the Township covenants to have prepared as soon as practicable a rate study for the System by an independent consultant employed for that purpose, and further, to send a copy of such study, when completed, to the original purchaser of the Bonds along with a letter indicating what action the Township has taken responsive to such study.

(c) The Township from time to time will make all needful and proper repairs, replacements, additions, and betterments to the System so that it may at all times be operated properly and advantageously; and when any necessary equipment or facility shall have been worn out, destroyed, or otherwise is insufficient for proper use, it shall be promptly replaced so that the value and efficiency of the System shall be at all times fully maintained.

(d) The Township will establish such rules and regulations for the control and operation of the System necessary for the safe, lawful, efficient and economical operation thereof.

(e) The Township will make and keep proper books and accounts (separate and apart from all other records and accounts of said Township), in which complete and correct entries shall be made of all transactions relating to the System, and hereby covenants that the Township Board, not later than six months after the close of each Operating Year, shall cause to be prepared, on forms furnished by the Department, a statement in reasonable detail, sworn to by the Treasurer of the Township, as its chief accounting officer, showing the cash income and disbursements of the System during such Operating Year, and the assets and liabilities of the System at the close of such Operating Year. The Township shall make such statement available to the public and shall file a certified copy thereof with the Department not later than six months after the close of such Operating Year as provided in the Revenue Bond Act. If the books of record and account pertaining the System are audited annually by a certified public accountant, the audit report of the annual audit, at the option of the Township Board, may be used in place of the statement to be prepared on forms furnished by the Department.

Each such audit, in addition to whatever matters may be thought proper by the accountants to be included therein, shall, without limiting the generality of the foregoing, include the following:

(i) A statement in detail of income and expenditures of the System for such Operating Year.

(ii) A balance sheet as of the end of such Operating Year, including a statement of the amount held in each of the funds and accounts created by Section 14 hereof.

(iii) The amount and details of all Outstanding Bonds.

All expenses of the audit required by this section shall be regarded and paid as Operation and Maintenance Costs.

It is further covenanted and agreed that a copy of each such audit shall be furnished upon completion to the original purchaser of the Bonds, if requested, and a summary thereof shall be furnished to any owner of a Bond upon request.

(f) The Township will keep the books and accounts for the System in accordance with generally accepted fund reporting practices for municipal enterprise funds; *provided, however*, that the monthly credits to the Bond and Interest Account, the Bond Reserve Account and the Depreciation Fund shall be in cash and said fund and accounts shall be held separate and apart in cash and investments. For the purpose of determining whether sufficient cash and investments are on deposit in such fund and accounts under the terms and requirements of this Ordinance, investments shall be valued at amortized cost.

(g) The Township will not sell, lease, loan, mortgage or in any manner dispose of or encumber the System (subject to the right of the Township to issue Additional Bonds as provided in this Ordinance, to issue bonds subordinate to Outstanding Bonds, and to dispose of real or personal property which is no longer useful or necessary to the operation of the System), and the Township will take no action in relation to the System which would unfavorably affect the Outstanding Bonds or the prompt payment of the principal thereof and interest thereon. Any amounts received from the sale of property of the System shall be deposited to the credit of the Depreciation Fund.

(h) Any holder of a Bond may proceed by civil action to compel performance of all duties required by law and this Ordinance, including the making and collecting of sufficient charges and rates for the service supplied by the System and the application of the income and revenue therefrom.

(i) The Township will carry insurance on the System of the kinds and in the amounts which are usually carried by municipalities operating similar properties, covering such risks as shall be recommended by a competent consulting engineer or

insurance consultant employed by the Township for the purpose of making such recommendations. All moneys received for loss under such insurance policies shall be deposited to the credit of the Depreciation Fund and used in making good the loss or damage in respect of which they were paid, either by repairing the property damaged or making replacement of the property destroyed, and provision for making good such loss or damage shall be commenced within ninety (90) days from the date of the loss. The payment of premiums for all insurance policies required under the provisions of this covenant shall be considered an Operation and Maintenance Cost. The proceeds derived from any and all policies for workers' compensation or public liability shall be paid into the Operation and Maintenance Fund and used in paying the claims on account of which they were received.

(j) Except as hereinabove expressly provided for services to the Township, the Township covenants not to provide any free service of the System, and, to the extent permitted by law, the Township will not grant a franchise for the operation of any competing water supply system, or combined water supply and sewerage system within the Township.

(k) The Township will adopt a budget for the funds and accounts created by Section 15 hereof prior to the beginning of each Operating Year, subject to applicable State law, providing for payment of all sums to be due in the Operating Year so as to comply with the terms of this Ordinance. The budget may include in its estimate of income the use of available surplus moneys or other funds of the Township appropriated for the purpose. If during the Operating Year there are extraordinary receipts or payments of unusual cost, the Township will adopt an amended budget for the remainder of the Operating Year, providing for receipts or payments pursuant to this Ordinance.

(l) The Treasurer of the Township shall be the custodian of the funds derived from income of the System. He shall give proper bond for the faithful discharge of his duties as such custodian, and this bond shall be fixed and approved by the Township Board of the Township.

(m) The Township will at all times pay reasonable wages and salaries to the employees of the System during the course of operation of the System. Any wages or salaries which shall be determined by a court in any proper action to have been excessive shall be credited by the Township to the Operation and Maintenance Account.

Section 20. Issuance of Additional Bonds. As long as there are any Outstanding Bonds, no obligations or bonds of any kind shall be issued which are payable from the Revenues except upon compliance with one of the options (a) through (e) set out below:

(a) Additional Bonds may be issued for the purpose of paying the cost of subsequent enlargements, extensions, improvements or repairs to the System or for re-funding Outstanding Bonds upon compliance with the following conditions:

(i) The amounts required to be credited monthly to the respective accounts described in subsections (a) through (c), inclusive, of Section 15 of this Ordinance must have been credited in full up to the date of the delivery of such Additional Bonds.

(ii) The Net Revenues of the System for the last completed Operating Year prior to the issuance of the Additional Bonds (as shown by the audit of an independent certified public accountant), or the adjusted Net Revenues of the System for such year (as defined herein) must equal at least 125% of Maximum Annual Debt Service computed immediately after the issuance of the proposed Additional Bonds, but only for those Operating Years in which the Outstanding Bonds immediately prior to such issuance will continue to be Outstanding Bonds as provided herein.

(iii) Net Revenues of the System may be adjusted as follows:

(A) In the event there shall have been an increase in the rates of the System from the rates in effect for the preceding Operating Year, which increase is in effect at the time of the issuance of any such Additional Bonds, the Net Revenues as described hereinabove may be adjusted to reflect the Net Revenues of the System for the immediately preceding Operating Year as they would have been had said then existing rates been in effect during all of said Operating Year.

(B) Any such adjustment shall be evidenced by the certificate of an independent consulting engineer or an independent certified public accountant employed for that purpose, which certificate shall be filed with and approved by the Township Board prior to the issuance of the proposed Additional Bonds.

(b) Additional Bonds may be issued to refund Outstanding Bonds if the Additional Bonds so issued (i) do not exceed the principal amount of the Outstanding Bonds to be refunded, (ii) do not bear interest at a rate in excess of the Outstanding Bonds to be refunded, and (iii) do not mature earlier than any Outstanding Bonds not to be refunded.

(c) Additional Bonds may be issued to refund Outstanding Bonds in order to avoid default in the payment of principal of or interest on Outstanding Bonds; *provided*, they are issued to avoid such default within three months of the date thereof.

(d) Bonds or other obligations may be issued payable from the Revenues subordinate to the Outstanding Bonds. Such subordinate bonds shall be payable from the Surplus Account created in Section 15 of this Ordinance.

All bonds issued under this Section shall mature as to principal on May 1 and as to interest on May 1 and November 1.

Contracts or agreements, including long-term and take or pay contracts or agreements, for the supply of water which by their terms require payment by the Township as an Operation and Maintenance Cost or from the Operation and Maintenance Fund are expressly excluded from the provisions of this Ordinance pertaining to Additional Bonds. Such contracts or agreements may be made by the Township notwithstanding any of the provisions herein.

Section 21. Approval of Department. The Designated Officials, or either of them, are hereby authorized and directed to make a sworn application to the Department, on forms furnished by the Department, for permission to issue the Bonds and shall attach to the application a certified copy of this Ordinance, and such other documents as may required by the Department. If the issuance of the Bonds is approved by the Department, the Bonds may be sold as provided in Section 22 hereof.

Section 22. Sale of the Bonds. The Designated Officials are authorized to do all things necessary to effectuate the sale, issuance, delivery, transfer and exchange of the Bonds in accordance with the provisions of this Ordinance. In connection with the sale, issuance and delivery of the Bonds, the Designated Officials are authorized to approve the Dated Date, interest rates, first interest payment date, prices, discounts, and principal amounts of each authorized maturity of the Bonds, to authorize one or more Term Bonds, to determine optional redemption dates and prices, and to designate a Bond Registrar, Paying Agent and Escrow Agent, aided by the Financial Advisor, all subject to the limitations provided herein.

The Bonds may be sold at a public or negotiated sale, as determined by the Designated Officials to be in the best interests of the Township. If the Bonds are sold at a public sale, notice of such sale, shall be published at least 14 days before the sale date in a publication printed in the

English language and circulated in the State, which carries as a part of its regular service notices of the sale of municipal bonds and which has been approved by the Department as a publication complying with the foregoing qualifications. Upon receipt of bids pursuant to the notice of sale, the Designated Officials shall award the Bonds to the bidder whose bid produces the lowest net interest cost on the Bonds.

The distribution of a Preliminary Official Statement (as shall be approved by the Designated Officials) is hereby in all respects authorized and approved, and the proposed use of an Official Statement (in substantially the form of the Preliminary Official Statement but with appropriate variations to reflect the final terms of the Bonds) is hereby approved.

Nothing in this Section shall require the Designated Officials to sell the Bonds if in their judgment, aided by the Financial Advisor, the conditions in the bond markets shall have markedly deteriorated from the time of adoption hereof, or the documents of sale are not in acceptable form, but the Designated Officials shall have the authority to sell the Bonds in any event so long as the limitations set forth in this Ordinance and the conditions of this Section shall have been met.

The Bonds shall be executed as in this Ordinance provided as soon after the sale thereof as may be, and thereupon be deposited with the Treasurer of the Township, and be by said Treasurer delivered to the Purchaser upon receipt of the purchase price therefor.

Section 23. Use of Proceeds. The proceeds derived from the sale of the Bonds shall be used as follows:

(a) Accrued interest, if any, shall be credited to the Bond and Interest Account.

(b) The amount necessary to pay the costs of the Refunding shall be deposited in the Escrow Fund held by the Escrow Agent pursuant to the Escrow Agreement hereby authorized to be executed by the Designated Officials in substantially the form attached hereto as Exhibit A. The Township by its Township Board hereby approves the form of the Escrow Agreement attached hereto as *Exhibit A*. The Designated Officials are hereby authorized and directed to select the Escrow Agent at the time of the sale of the Bonds.

The officers as designated in the Escrow Agreement are hereby authorized and directed to execute the Escrow Agreement with such completions, corrections and revisions as they may approve, their execution to constitute conclusive evidence of their approval and of due execution and delivery under the terms of this ordinance, and subject only to the funding of the Escrow Fund under the Escrow Agreement, irrevocably call for redemption the Refunded Bonds required to be so called in accordance with the terms of the Escrow Agreement.

(c) The amount necessary to pay the costs of issuing the Bonds shall be deposited into the "Expense Fund," hereby created, and be used to pay such costs of issuance.

Section 24. Defeasance. Bonds which are no longer Outstanding Bonds as defined in this Ordinance shall cease to have any lien on or right to receive or be paid from Net Revenues, and shall no longer have the benefits of any covenant for the holders of Outstanding Bonds as set forth herein as such relates to lien and security for the Bonds in the Net Revenues.

Section 25. Provisions a Contract. The provisions of this Ordinance shall constitute a contract between the Township and the holders of the Bonds and no changes, additions, or alterations of any kind shall be made hereto, except as herein provided, so long as there are any Outstanding Bonds.

Section 26. Non-Arbitrage; Rebate Requirement; and Tax-Exemption. The principal proceeds from the sale of the Bonds shall be devoted to and used with due diligence for the purpose for which the Bonds are hereby authorized to be issued.

One purpose of this Section is to set forth various facts regarding the Bonds and to establish the expectations of the Township Board and the Township as to future events regarding the Bonds and the use of Bond proceeds. The certifications and representations made herein and at the time of the issuance of the Bonds are intended, and may be relied upon, as certifications and expectations described in Section 1.148-2(b)(2) of the U.S. Treasury Regulations dealing with arbitrage and rebate (the "*Regulations*"). The covenants and agreements contained herein and at the time of the issuance of the Bonds are made for the benefit of the owners from time to time of the Bonds.

The Township agrees and covenants with the purchasers and holders of the Bonds from time to time outstanding that, to the extent possible under State law, it will comply with whatever federal tax law is adopted in the future which applies to the Bonds and affects the Tax-exempt status of the Bonds.

The Township Board hereby acknowledges that pursuant to Section 148(f)(4)(D) of the Code the Township is excepted from the required payment of "*excess arbitrage profits*" to the United States because (a) the Township is a governmental unit with general taxing powers, (b) none of the Bonds is a "private activity bond" as defined in Section 141(a) of the Code, (c) all the net proceeds of the Bonds are to be used for the local governmental activities of the Township, and (d) the aggregate face amount of all tax-exempt obligations (other than private activity bonds) issued by the Township and all subordinate entities thereof in calendar year 2001, including the Bonds, will not exceed \$5,000,000.

The Township Board hereby authorizes the officials of the Township responsible for issuing the Bonds, the same being the Supervisor, Clerk and Treasurer of the Township, to execute the Tax Exemption Certificate and to make such further covenants and certifications as may be necessary to assure that the use thereof will not cause the Bonds to be arbitrage bonds and to assure that the interest in the Bonds will be Tax-exempt. In connection therewith, the Township and the Township Board further agree: (a) through its officers, to make such further specific covenants, representations as shall be truthful, and assurances as may be necessary or advisable; (b) to consult with counsel approving the Bonds and to comply with such advice as may be given; (c) to pay to the United States, as necessary, such sums of money representing required rebates of excess arbitrage profits relating to the Bonds; (d) to file such forms, statements, and supporting documents as may be required and in a timely manner; and (e) if

deemed necessary or advisable by its officers, to employ and pay fiscal agents, financial advisors, attorneys, and other persons to assist the Township in such compliance.

Section 27. Opinion of Counsel Exception. The Township reserves the right to use or invest moneys in connection with the Bonds in any manner, notwithstanding various tax covenants it or its officers may make, provided it shall first have received an opinion from an attorney or a firm of attorneys of nationally recognized standing in matters pertaining to Tax-exempt bonds to the effect that use or investment of such moneys as contemplated will not adversely affect Tax-exempt status for the Bonds.

Section 28. Designation of Issue. The Township hereby covenants that the Township and all subordinate entities thereof will not issue any obligations of any kind or for any purpose in excess of the total aggregate amount of \$10,000,000 during the calendar year 2001, and the Township hereby designates the Bonds as obligations being issued for the purposes of meeting the requirements of Section 265(b)(3) of the Code regarding qualified tax-exempt obligations.

Section 29. Registered Form. The Township recognizes that Section 149(a) of the Code requires the Bonds to be issued and to remain in fully registered form in order that interest thereon is Tax-exempt under laws in force at the time the Bonds are delivered. In this connection, the Township agrees that it will not take any action to permit the Bonds to be issued in, or converted into, bearer or coupon form.

Section 30. List of Bondholders. The Bond Registrar shall maintain a list of the names and addresses of the holders of all Bonds and upon any transfer shall add the name and address of the new Bondholder and eliminate the name and address of the transferor Bondholder.

Section 31. Rights and Duties of Bond Registrar. If requested by the Bond Registrar, the Supervisor and Clerk are authorized to execute the Bond Registrar's standard form of

agreement between the Township and the Bond Registrar with respect to the obligations and duties of the Bond Registrar hereunder which may include the following:

- (a) to act as bond registrar, authenticating agent, paying agent and transfer agent as provided herein;
- (b) to maintain a list of Bondholders as set forth herein and to furnish such list to the Township upon request, but otherwise to keep such list confidential;
- (c) to give notice of redemption of Bonds as provided herein;
- (d) to cancel and/or destroy Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer;
- (e) to furnish the Township at least annually a certificate with respect to Bonds cancelled and/or destroyed; and
- (f) to furnish the Township at least annually an audit confirmation of Bonds paid, Bonds Outstanding and payments made with respect to interest on the Bonds.

Section 32. Continuing Disclosure Undertaking. The Supervisor is hereby authorized, empowered and directed to execute and deliver a continuing disclosure undertaking under Section (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "*Continuing Disclosure Undertaking*"). When the Continuing Disclosure Undertaking is executed and delivered on behalf of the Township as herein provided, the Continuing Disclosure Undertaking will be binding on the Township and the officers, employees and agents of the Township, and the officers, employees and agents of the Township are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Continuing Disclosure Undertaking as executed. Notwithstanding any other provision of this Ordinance, the sole remedy for failure to comply with the Continuing Disclosure Undertaking shall be the ability of the beneficial owner of any Bond to seek

mandamus or specific performance by court order to cause the Township to comply with its obligations under the Continuing Disclosure Undertaking.

Section 33. Severability. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance.

Section 34. Repealer. All ordinances, resolutions or orders, or parts thereof, in conflict with the provisions of this Ordinance are to the extent of such conflict hereby repealed.

Section 35. Recording and Publication. This Ordinance shall be recorded in the minutes of the meeting of the Township Board at which it is adopted as soon as practicable after its passage and such record shall be authenticated by the signatures of the Supervisor and Clerk of the Township. This Ordinance shall be published once within ten (10) days of passage hereof by the Township Board in the *Southcounty Gazette*, being a newspaper having general circulation within the boundaries of the Township. The proceedings of this meeting or alternatively a synopsis of the proceedings prepared by the Clerk and approved by the Supervisor showing the substance of each separate proceeding of the Township Board shall be published once within twenty-one (21) days after the date of this meeting in the *Southcounty Gazette*, being a newspaper having a general circulation within the boundaries of the Township.

Section 36. *Effective Date.* This Ordinance shall be in effect immediately upon its passage by the Township Board.

PASSED by the Township Board on April 12, 2001.

APPROVED: April 12, 2001.

/s/ Carl R. Anderson
Supervisor Carl R. Anderson

Carl R. Anderson

AYES: Anderson, Dudeck, Simmons, Gibson and Markse

NAYS: None

ABSENT: None

RECORDED in the Township Records on April 12, 2001.

ATTEST:

/s/ Jeanne S. Dudeck
Clerk Jeanne S. Dudeck

(SEAL)

EXHIBIT A
ESCROW AGREEMENT

ESCROW AGREEMENT

This Escrow Agreement, dated as of _____, 2001, but actually executed and delivered the date last hereinbelow written, by and between the Township of Chikaming, County of Berrien, State of Michigan, and _____, a [national banking association,] with its principal corporate trust office located in _____, _____, not individually but in the capacity as hereinafter described, for and in consideration of mutual covenants set forth:

WITNESSETH:

ARTICLE I. DEFINITIONS

The following words and terms used in this Agreement shall have the following meanings unless the context or use clearly indicates another or different meaning.

"Aggregate Payment Requirement" means the aggregate payment requirement intended to be met from the Escrow Account under this Agreement; and, more particularly, means the sum of the payment of all interest on and principal of and interest and redemption premium (as applicable) on the Prior Bonds, if any, from the date hereof through the Call Date.

"Agreement" means this Escrow Agreement dated as of _____, 2001.

"Bond Ordinance" means the ordinance passed by the Township Board on the 12th day of April, 2001, numbered ____, and entitled:

An Ordinance authorizing and providing for the issue of not to exceed \$1,485,000 Water Supply System Revenue Refunding Bonds, Series 2001, of the Township of Chikaming, County of Berrien, State of Michigan, for the purpose of refunding certain outstanding bonds, authorizing the execution of an escrow agreement, prescribing all the details of said bonds, and providing for the collection, segregation and distribution of the revenues of the water supply system of said Township.

authorizing the Bonds.

"Bonds" means the Water Supply System Revenue Refunding Bonds, Series 2001, of the Township, a portion of the proceeds of which are to be used for the refunding of the Prior Bonds.

"Call Date" means May 1, 2003.

"Defeasance Report" means the report of _____, Certified Public Accountants, _____, _____, attached hereto as Exhibit A, that the principal of, interest on and profit realized from the Government Obligations, when received, and the beginning deposit on demand held hereunder will be sufficient at all times to pay the Aggregate Payment Requirement.

"Escrow Account" means the trust fund created under the terms of this Agreement with the Escrow Agent and comprised of the Government Obligations and a certain beginning deposit as more fully described in 2.02 hereof.

"Escrow Agent" means _____, a [national banking association], with its principal corporate trust offices located in _____, _____, not individually but in the capacity for the uses and purposes hereinafter mentioned, or any successor thereto.

"Government Obligations" means direct obligations of the United States of America (being United States Bills, Notes, Bonds, STRPS or SLGS) deposited hereunder or purchased with funds held hereunder.

"Paying Agent" or *"Bond Registrar"* means _____, _____,
_____.

"Prior Bonds" means the \$1,390,000 Water Supply System Revenue and Revenue Refunding Bonds, Series 1994, of an original aggregate principal amount of \$2,250,000, fully registered and without coupons, due on May 1 of the years and in the amounts and bearing interest at the rates per annum as follows:

2004	\$ 90,000	5.900%
2009	550,000	6.375%
2014	750,000	6.500%

the Bonds due on May 1, 2009 and on May 1, 2014, being subject to mandatory redemption at a redemption price of par plus accrued interest to the redemption date, on May 1 of the years and in the principal amounts as follows:

BONDS MATURING MAY 1, 2009

YEAR OF MANDATORY REDEMPTION	PRINCIPAL AMOUNT TO BE REDEEMED (\$)	AMOUNT BEING REFUNDED (\$)
2005	105,000	95,000
2006	115,000	105,000
2007	120,000	110,000
2008	130,000	120,000
2009 (Maturity)	135,000	120,000

BONDS MATURING MAY 1, 2014

YEAR OF MANDATORY REDEMPTION	PRINCIPAL AMOUNT TO BE REDEEMED (\$)	AMOUNT BEING REFUNDED (\$)
2010	150,000	135,000
2011	155,000	140,000
2012	165,000	150,000
2013	175,000	160,000
2014 (Maturity)	185,000	165,000

The Prior Bonds due on May 1, 2004, and thereafter are subject to optional redemption, in whole or in part, from any available funds, on May 1, 2003, or on any interest payment date thereafter, at a price of par and accrued interest to the date of redemption.

"Township" means the Township of Chikaming, County of Berrien, State of Michigan.

"Township Board" means the Township Board which is the governing body of the Township.

"Treasurer" means the Treasurer of the Township.

ARTICLE II. CREATION OF ESCROW

Section 2.01. The Prior Bonds are hereby refunded by the deposit with the Escrow Agent of moneys sufficient to purchase the Government Obligations described in 2.02 hereof and more fully described in *Exhibit B* hereto and in the Defeasance Report, which Government Obligations (together with the beginning deposit of funds as described in *Exhibit B*) will provide all moneys necessary to pay the Aggregate Payment Requirement.

Section 2.02. The Township has deposited with the Escrow Agent at the execution and delivery of this Escrow Agreement the sum of \$_____, \$_____ of which is derived from the proceeds of the Bonds and \$_____ of which is derived from cash on hand of the Township (the "*Funds*"). The Funds have been used to acquire the Government Obligations in the amount of \$_____; and establish a beginning cash balance ("*Beginning Cash*") of \$_____.

Section 2.03. The Escrow Agent and the Township have each received a copy of the Defeasance Report.

ARTICLE III. COVENANTS OF ESCROW AGENT

The Escrow Agent covenants and agrees with the Township as follows:

Section 3.01. The Escrow Agent will hold the Government Obligations and all interest, income and profit derived therefrom and all uninvested cash in a segregated and separate trust fund account for the sole and exclusive benefit of the Township and of the holders and registered owners of the Bonds and the Prior Bonds and appurtenant interest coupons, all to the purposes for which escrowed.

Section 3.02. The Escrow Agent will reinvest all available uninvested balances (rounded to an even \$100) in the Escrow Account on deposit from time to time, whenever said balances exceed \$1,000. Investments so made shall be in direct obligations of or obligations guaranteed by the full faith and credit of the United States of America and shall be scheduled to mature on or prior to the next succeeding interest payment date on the Prior Bonds on which such proceeds will be needed to pay the principal of or interest on the Prior Bonds. Such investments shall, to the extent possible, be in zero-yield obligations issued directly by the Bureau of Public Debt of the United States Treasury (currently designated "*U. S. Treasury Securities—State and Local Government Series Certificates of Indebtedness, Notes or Bonds*") ("*SLGS*"). Such investments shall be made only to the extent permitted by, and shall be made in accordance with, the applicable statutes, rules and regulations governing such investments issued by the Bureau of Public Debt. If the Department of the Treasury (or the Bureau of Public Debt) of the United States suspends the sale of SLGS causing the Escrow Agent to be unable to purchase SLGS, then the Escrow Agent will take the following actions. On the date it would have purchased SLGS had it been able to do so, the Escrow Agent will purchase direct obligations of or an obligations guaranteed by the full faith and credit of the United States

maturing no more than 90 days after the date of purchase (the "*Alternate Investment*"). The purchase price of the Alternate Investment shall be as close as possible to the principal amount of the SLGS that would have been purchased on such date if they had been available for purchase. The Escrow Agent will purchase each Alternate Investment at a price no higher than the fair market value of the Alternate Investment and will maintain records demonstrating compliance with this requirement. On the maturity of each Alternate Investment, the Escrow Agent shall pay the difference between the total of the receipts on the Alternate Investment and the purchase price of the Alternate Investment to the Township with a notice to the Township that such amount must be paid to the Internal Revenue Service pursuant to Rev. Proc. 95-47. If the Alternate Investment matures more than 29 days prior to the next succeeding interest payment date on the Prior Bonds on which such proceeds will be needed to pay principal of or interest on the Prior Bonds, the Escrow Agent shall treat such amounts as an uninvested balance available for reinvestment and shall take all reasonable steps to invest such amounts in SLGS (or additional Alternate Investments as provided in this Section). The Escrow Agent shall hold balances not so invested in the Escrow Account on demand and in trust for the purposes hereof and shall secure same in accordance with applicable Michigan law for the securing of public funds.

Section 3.03. The Escrow Agent will take no action in the investment or securing of the proceeds of the Government Securities which would cause the Bonds to be classified as "arbitrage bonds" under the Code, *provided*, it shall be under no duty to affirmatively inquire whether the Government Securities as deposited are properly invested under said section; and,

provided, further, it may rely on all specific directions in this Agreement in the investment or reinvestment of balances held hereunder.

Section 3.04. The Escrow Agent will promptly collect the principal of, interest on and income and profit from the Government Obligations and, subject only to the proper reinvestment thereof pursuant to Section 3.02, promptly apply the same solely and only to pay the Aggregate Payment Requirement.

Section 3.05. The Escrow Agent will remit to the Paying Agent in good funds on or before the Call Date moneys sufficient to pay the Aggregate Payment Requirement as set out in the Defeasance Report, and each such remittance shall fully release and discharge the Escrow Agent from any further duty or obligation thereto under this Agreement.

Section 3.06. The Escrow Agent will make no payment of fees, due or to become due, of the Bond Registrar or the Paying Agent, and the Township covenants to pay the same as they become due.

Section 3.07. The costs and expenses of the Escrow Agent will be paid by the Township from funds other than those deposited hereunder. The Escrow Agent shall have no lien or right of setoff of any kind on the Escrow Account and shall look solely to the Township and its other funds for payment. The Escrow Agent shall charge such fees for its services as are reasonable and usual for like services rendered by similar institutions.

Section 3.08. The Escrow Agent has all the powers and duties herein set forth with no liability in connection with any act or omission to act hereunder, except for its own gross negligence or willful breach of trust, and shall be under no obligation to institute any suit or

action or other proceeding under this Agreement or to enter any appearance in any suit, action or proceeding in which it may be defendant or to take any steps in the enforcement of its, or any, rights and powers hereunder, nor shall be deemed to have failed to take any such action, unless and until it shall have been indemnified by the Township to its satisfaction against any and all costs and expenses, outlays, counsel fees and other disbursements, including its own reasonable fees, and if any judgment, decree or recovery be obtained by the Escrow Agent, payment of all sums due it, as aforesaid, shall be a first charge against the amount of any such judgment, decree or recovery.

Section 3.09. The Escrow Agent may in good faith buy, sell or hold and deal in any of the Bonds or Prior Bonds.

Section 3.10. The Prior Bonds are hereby called for redemption on the Call Date at the redemption price therefor, stated again as follows:

AMOUNT (\$)	CALL DATE	PREMIUM (%)	PREMIUM (\$)	INTEREST (\$)	TOTAL (\$)
1,390,000	5/1/03	-0-	-0-	89,122.50	1,479,122.50

The form and time of the giving of such notice shall be as specified in Ordinance No. 75 of the Township, adopted on May 26, 1994, authorizing the Prior Bonds (the "1994 Ordinance"). The Escrow Agent will cause the Paying Agent to provide for and give timely notice of the call for redemption of such Prior Bonds. In the event the Escrow Agent determines that the Paying Agent will not give such timely notice, the Escrow Agent will give such notice. The form and time of the giving of such notice regarding such Prior Bonds shall be as specified in the 1994 Ordinance. The Township shall reimburse the Escrow Agent for any actual out of

pocket expenses incurred in the giving of such notice, but the failure of the Township to make such payment shall not in any respect whatsoever relieve the Escrow Agent from carrying out any of the duties, terms or provisions of this Agreement.

Section 3.11. The Escrow Agent will submit to the Treasurer a statement within 30 days after May 1 and November 1 of each year, commencing May 1, 2002, itemizing all moneys received by it and all payments made by it under the provisions of this Agreement during the six month period ending on such May 1 or November 1.

Section 3.12. If at any time the available proceeds of the Government Obligations and funds on deposit in the Escrow Account will not be sufficient to make any payment due to the registered owners or holders of any of the Prior Bonds, the Escrow Agent shall notify the Township and the Township agrees that, to the extent it may be legally required to do so, it will from any funds lawfully available for such purpose make up the anticipated deficit so that no default in the making of any such payment will occur.

ARTICLE IV. COVENANTS OF TOWNSHIP

The Township covenants and agrees with the Escrow Agent as follows:

Section 4.01. The Escrow Agent shall have no responsibility or liability whatsoever for (a) any of the recitals of the Township herein, (b) the performance of or compliance with any covenant, condition, term or provision of the Bond Ordinance, and (c) any undertaking or statement of the Township hereunder or under said Bond Ordinance.

Section 4.02. The Township will promptly and without delay remit to the Escrow Agent, within ten days after receipt of its written request, such sum or sums of money as are

necessary to make the payments required under 3.12 hereof and to fully pay and discharge any obligation or obligations or charges, fees or expenses incurred by the Escrow Agent in carrying out any of the duties, terms or provisions of this Agreement. The Township will promptly pay all applicable Bond Registrar and Paying Agent fees.

Section 4.03. The Township does hereby waive any right to pay at maturity or redeem on any other date than as herein specified any of the Prior Bonds.

ARTICLE V. AMENDMENTS AND IRREVOCABILITY OF AGREEMENT

Section 5.01. This Agreement may be amended or supplemented to provide that the Government Obligations or any portion thereof may be sold or redeemed, and moneys derived therefrom invested, reinvested (but only in other direct full faith and credit obligations of the U.S. Treasury which are not redeemable by the U.S. Treasury prior to maturity) or disbursed in any manner provided (any such amendment, supplement, direction to sell or redeem or invest, reinvest or disburse to be referred to as a "*Subsequent Action*"), upon submission to the Escrow Agent of each of the following:

A. Certified copy of proceedings of the Township Board authorizing the Subsequent Action and copy of the document effecting the Subsequent Action signed by duly designated officers of the Township.

B. An opinion of Chapman and Cutler, Chicago, Illinois, or other nationally recognized bond counsel or tax counsel nationally recognized as having an expertise in the area of tax-exempt municipal bonds that the Subsequent Action will not adversely affect the status of the interest on the Bonds or any of the Bonds as not includable in the gross income of the owners

for federal income tax purposes and exempt from federal income taxes of such owners under the laws of the United States of America providing for taxation of income and will not violate the covenants of the Township not to cause the Bonds or any of the Prior Bonds to become "arbitrage bonds" under applicable provisions of the Internal Revenue Code of 1986, and that the Subsequent Action does not materially adversely affect the legal rights of the registered owners or holders of the Bonds or any of the Prior Bonds.

C. An opinion of a firm of nationally recognized independent certified public accountants that the amounts, which will consist of funds or receipts from direct full faith and credit obligations of the United States of America, not subject to redemption prior to maturity, all of which shall be held hereunder, available or to be available for payment of the Prior Bonds will remain sufficient to pay when due and as called for redemption all principal and interest on the Prior Bonds after the taking of the Subsequent Action.

Section 5.02. The Township and the Escrow Agent may amend or add to the terms of this Agreement to correct errors, clarify ambiguities or insert inadvertently omitted material but only if any such correction, clarification or insertion has absolutely no adverse impact on the holders or registered owners of the Bonds or any of the Prior Bonds. The Township may supplement this Agreement by providing for notice prior to any amendment to such parties as it may name in any such supplement, which will be effective upon filing with the Escrow Agent.

Section 5.03. Except as provided in 5.01 and 5.02 hereof, all of the rights, powers, duties and obligations of the Escrow Agent hereunder shall be irrevocable and shall not be

subject to amendment by the Escrow Agent and shall be binding on any successor to the Escrow Agent during the term of this Agreement.

Section 5.04. Except as provided in 5.01 and 5.02 hereof, all of the rights, powers, duties and obligations of the Township hereunder shall be irrevocable and shall not be subject to amendment by the Township and shall be binding on any successor to the officials now comprising the Township Board during the term of this Agreement.

Section 5.05. Except as provided in Sections 5.01 and 5.02 hereof, all of the rights, powers, duties and obligations of the Treasurer hereunder shall be irrevocable and shall not be subject to amendment by the Treasurer and shall be binding on any successor to said official now in office during the term of this Agreement.

ARTICLE VI. NOTICES

Section 6.01. All notices and communications to the Township shall be addressed in writing to:

Township Clerk
Township of Chikaming
14900 Lakeside Road
Lakeside, Michigan 49116

or at such other address as is furnished from time to time by the Township.

Section 6.02. All notices and communications to the Escrow Agent shall be addressed in writing to:

or at such other address as is furnished from time to time by the Escrow Agent.

Section 6.03. All notices and communications to the Treasurer shall be addressed in writing to:

Township Treasurer
Township of Chikaming
14900 Lakeside Road
Lakeside, Michigan 49116

or at such other address as is furnished from time to time by the Treasurer.

ARTICLE VII. RESIGNATION OF ESCROW AGENT

The Escrow Agent may at any time resign as Escrow Agent under this Agreement by giving 30 days written notice to the Township, and such resignation shall take effect upon the appointment of a successor Escrow Agent by the Township. The Township may select as successor Escrow Agent any financial institution with capital, surplus and undivided profits of at least \$25,000,000 and located within the City of Detroit, Michigan, the City of Chicago, Illinois, or the Borough of Manhattan, City of New York, New York, which is authorized to maintain trust accounts for corporations in Michigan under applicable law and which customarily acts as a bond registrar and paying agent for securities held by the public.

ARTICLE VIII. TERMINATION OF AGREEMENT

Upon the final disbursement for the payment of the Prior Bonds as hereinabove provided for, the Escrow Agent will transfer any balance remaining in the Escrow Account to the Treasurer with due notice thereof mailed to the Township, and thereupon this Agreement shall terminate.

Member William Marske moved and Member Dorothy Simmons

seconded the motion that said ordinance as presented and read by the Clerk be adopted.

After a full and complete discussion thereof including a public recital of the nature of the matter being considered and such other information as would inform the public of the business being conducted, which included a reading of the title of the Bond Ordinance and statements (1) that the Bond Ordinance provided for the issuance of water supply system revenue and revenue refunding bonds for the purpose of paying the costs of certain water supply system projects and to pay the costs of refunding certain outstanding revenue bonds, (2) that the bonds are issuable without referendum pursuant to the Revenue Bond Act, (3) that the Bond Ordinance provides for a flow of water supply system revenues to pay the bonds, and (4) that the Bond Ordinance provides many details for the bonds, including tax-exempt status covenants, provision for terms and forms of the bonds, and appropriations, the Supervisor directed that the roll be called for a vote upon the motion to adopt the ordinance as read.

Upon the roll being called, the following Members voted

AYE: Carl Anderson, Jeanne Dudeck, Dorothy Simmons, Jack Gibson and

William Marske

NAY: None

Whereupon the Supervisor declared the motion carried and the ordinance adopted, and henceforth did approve and sign the same in open meeting and did direct the Clerk to record the same in full in the records of the Township Board of the Township.

Other business not pertinent to the adoption of said ordinance was duly transacted at said meeting.

Upon motion duly made and seconded, the meeting was adjourned.

Jeanne S. Dudeck
Clerk Jeanne Dudeck

STATE OF MICHIGAN)
) SS
COUNTY OF BERRIEN)

CERTIFICATION OF ORDINANCE AND MINUTES AND OF PUBLICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting Clerk of the Township of Chikaming, County of Berrien, State of Michigan (the "*Township*"), and as such officer I am the keeper of the books, records, files, and journal of proceedings of the Township and of the Supervisor and Township Board (the "*Township Board*") thereof.

I do further certify that the foregoing constitutes a full, true and complete transcript of the minutes of the legally convened meeting of the Township Board held on the 12th day of April, 2001, insofar as same relates to the adoption of an ordinance numbered 75 and entitled:

AN ORDINANCE authorizing and providing for the issue of not to exceed \$1,485,000 Water Supply System Revenue and Revenue Refunding Bonds, Series 2001, of the Township of Chikaming, County of Berrien, State of Michigan, for the purpose of refunding certain outstanding bonds, prescribing all the details of said bonds, and providing for the collection, segregation and distribution of the revenues of the water supply system of said Township.

a true, correct and complete copy of which said ordinance as adopted at said meeting appears in the foregoing transcript of the minutes of said meeting.

I do further certify that the deliberations of the Township Board on the adoption of said ordinance were taken openly; that the vote on the adoption of said ordinance was taken openly; that said meeting was held at a specified time and place convenient to the public; that notice of said meeting was duly given to all of the news media requesting such notice of said meeting was duly given to all of the news media requesting such notice; that said meeting was called and held in strict accordance with the provisions of Chapter 16 of the Revised Statutes of 1846 (Michigan Compiled Laws, §41.1 *et seq.*), as amended, and the Open Meetings Act of the State of Michigan (Michigan Compiled Laws, §15.261 *et seq.*), as amended, and that the Board has complied with all of the applicable provisions of said statute and said Act and its procedural rules in the adoption of said ordinance.

I do further certify that on the 23 day of April, 2001, the Township Board published said ordinance in the *Southcounty Gazette*, a newspaper having general circulation within the boundaries of the Township.

I do further certify that on the 23 day of April, 2001, said date being a date not more than 21 days after the date of said meeting, the Township Board published the proceedings of the meeting, or alternatively published a synopsis of the proceedings prepared by me as the Clerk of

the Township and approved by the Supervisor of the Township showing the substance of each separate proceeding of the Township Board, in the *Southcounty Gazette*, a newspaper of general circulation in the Township.

IN WITNESS WHEREOF, I have hereunto affixed my official signature and the seal of the Township, this 23 day of April, 2001.

jeanne S. Dudeck,
Clerk

(SEAL)