

**TOWNSHIP OF BLAIR**

**COUNTY OF GRAND TRAVERSE, MICHIGAN**

At a regular meeting of the Township Board of the Township of Blair, County of Grand Traverse, Michigan, held at the Township Hall, 2121 Co. Rd. 633, Grawn, Michigan, on May 10, 2011, at 6:00 p.m. Local Time.

PRESENT: Members: Tharp, Rademaker, Clous, Pahl, Zeits, Lowe, DeKuiper

ABSENT: Members: None

It was moved by Member Tharp and seconded by Member Clous that the following Ordinance be adopted under authority of Act 94 of the Public Acts of Michigan of 1933, as amended.

**ORDINANCE NO. 137-11**

**AN ORDINANCE TO AUTHORIZE AND PROVIDE FOR THE ISSUANCE OF WATER REVENUE BONDS TO FUND THE COST OF IMPROVEMENTS TO THE BLAIR WATER SYSTEM; TO PROVIDE FOR THE SECURITY OF THE BONDS HEREIN AUTHORIZED; TO REPEAL ARTICLE XII OF TOWNSHIP ORDINANCE NO. 116, AS AMENDED; AND TO PROVIDE FOR OTHER MATTERS RELATIVE TO SAID IMPROVEMENTS AND BONDS.**

Upon roll call vote, the vote upon the motion adopting said Ordinance was as follows:

YEAS: Members: Clous, Tharp, DeKuiper, Rademaker, Lowe, Zeits, Pahl

NAYS: Members: None

ABSTAIN: Members: None

The Township Clerk declared the Ordinance adopted.

The following is Ordinance No. 137-11 as adopted:

**TOWNSHIP OF BLAIR**  
**ORDINANCE NO. 137-11**

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THE TOWNSHIP OF BLAIR ORDAINS:

**Section 1. Definitions.** Whenever used in this Ordinance, except when otherwise indicated by the context, the following terms shall have the following meanings:

- a. “Act 94” means Act 94 of the Public Acts of Michigan of 1933, as amended.
- b. “Additional Bonds” means any additional bonds of equal standing with the Series 2011 Bonds issued pursuant to Section 20 of this Ordinance.
- c. “Board” or “Township Board” means the Township Board of the Township.
- d. “Bond Registrar” means the Township Treasurer who shall initially act on behalf of the Township as paying, registration and bond registrar with respect to the Bonds, or a bank or trust company qualified to act as a paying agent and registrar in the State of Michigan and designated by resolution of the Board.
- e. “Bond Reserve Requirement” means an amount equal to the lesser of (i) 10% of the aggregate principal amount of the Bonds, (ii) an amount equal to the maximum annual principal and interest requirements on the Bonds or (iii) 125 percent (125%) of the average annual principal and interest requirements on the Bonds or (iv) \$117,000.
- f. “Bonds” means the Series 2011 Bonds, including the bonds delivered to the initial purchaser thereof and any individual bonds exchanged therefor, and, when issued and delivered, any Additional Bonds authorized and issued in accordance with Section 20 of this Ordinance. “Bonds” does not include the County Bonds.
- g. “Code” means the Internal Revenue Code of 1986, as amended.
- h. “Consulting Engineers” means the engineer or engineering firm or firms appointed from time to time, and having a favorable reputation for skill and experience in the design and operation of municipal water supply systems, at the time retained by the Board to perform the acts and carry out the duties provided for such Consulting Engineers in the Ordinance.

i. “County Bond Contract” means that certain Revised Contract dated as of November 1, 1997, by and between the County of Grand Traverse and the Township of Blair, with respect to the County Bonds.

j. “County Bonds” means the Grand Traverse County – Township of Blair 2007 Water System Improvements Project Refunding Bonds dated July 1, 2007 and issued by the County of Grand Traverse for the benefit of the Township in accordance with the County Bond Contract.

k. “Depository” shall mean JP Morgan Chase, Traverse City, Michigan, or such other bank as shall be qualified under Section 15 of Act 94 and designated to act as depository pursuant to this Ordinance by resolution of the Board.

l. “Government” means the United States of America.

m. “Government Obligations” means direct obligations of (including obligations issued or held in book entry form on the books of) the United States of America.

n. “Investment Obligations” means the investments permitted by Section 24 of Act 94.

o. “Loan Resolution” means the Loan Resolution (RUS Bulletin 1780-27) adopted by the Township Board prior to issuance of and with respect to the Series 2011 Bonds.

p. “Net Revenues” means the Revenues remaining after deducting the reasonable expenses of administration, operation, and maintenance of the System.

q. “Ordinance” means this Ordinance and any other ordinance amendatory to or supplemental to this Ordinance and shall include any ordinance authorizing the issuance and sale of Additional Bonds.

r. “Outstanding Bonds” means Bonds authenticated and delivered under this Ordinance except:

(1) Bonds canceled by the Bond Registrar at or prior to such date;

(2) Bonds (or portions of Bonds) for the payment or redemption of which moneys or Government Obligations, equal to the principal amount or redemption price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under this Ordinance, subject to Section 31 of this Ordinance, and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in this Ordinance or provision satisfactory to the Bond Registrar shall have been made for the giving of such notice; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered hereunder.

s. “Project” includes the improvements to the System to be funded from proceeds of the Series 2011 Bonds including, without limitation, additional water storage

facilities, connecting water main and a stand-by generator, together with the site work, rights of way and related improvements and appurtenances.

t. “Registered Owner” means the owner of a Bond as shown by the registration records kept by the Bond Registrar.

u. “Revenues” means the income derived from the rates charged for the services, facilities and commodities furnished by the System, including without limitation, fees for connection to and use of the System and income derived by reason of future improvements, enlargements, extensions or repairs to the System. Revenues shall include earnings on investment of funds and accounts of the System required to be deposited in the Receiving Fund pursuant to the Ordinance and other revenues derived from or pledged to operation of the System. “Revenues” excludes special assessments levied on properties benefitted by the System.

v. “System” means all facilities including wells, pumps, water treatment facilities, transmission and distribution mains, hydrants, storage tanks, meters, service connections and all other facilities, plants, works, instrumentalities and properties used or useful in connection with obtaining water supply, the treatment of water and the distribution of public water and which in the aggregate constitute the Blair Water System and all additions, extensions and improvements thereto existing or hereafter acquired (including the Project).

w. “Township” means the Township of Blair, Grand Traverse County, Michigan.

**Section 2. Necessity; Approval of Plans and Specifications; Estimated Cost; Period of Usefulness.** It is hereby determined to be necessary for the public health, safety and welfare of the Township to acquire and construct the Project, in accordance with the detailed plans and specifications therefor prepared by Gosling Czubak Engineering Sciences, Inc., consulting engineers of Traverse City, Michigan, which plans and specifications are hereby approved. The cost of the Project has been estimated by said engineers to be Two Million Seven Hundred Thousand Dollars (\$2,700,000.00) including the payment of incidental expenses as are hereafter specified in Section 3 of this Ordinance, which estimate of cost is hereby approved and confirmed, and the period of usefulness of the public improvements which comprise the Project is estimated to be greater than forty (40) years.

**Section 3. Issuance of Bonds.** To defray the cost of acquiring and constructing the Project, including the payment of legal, engineering, financial and other expenses incident thereto and incident to the issuance and sale of the Series 2011 Bonds, it is hereby determined that the Township borrow the sum of Two Million Seven Hundred Thousand Dollars (\$2,700,000). To evidence this borrowing, the Township shall issue the Series 2011 Bonds to fund the cost of the Project in the amount of \$2,700,000. No interest on the Series 2011 Bonds shall be capitalized or paid from proceeds of the Series 2011 Bonds.

**Section 4. Series 2011 Bond Details.**

a. The Series 2011 Bonds shall be issued in the amount of \$2,700,000 and shall be designated WATER REVENUE BONDS, SERIES 2011, substantially in the form attached to this Ordinance as Exhibit A. The Series 2011 Bonds shall be payable and secured in the manner set forth in Section 7 and Section 14b (with respect to the Bond Reserve Account).

The Series 2011 Bonds shall be initially issued in fully-registered form in a single manuscript bond and shall be numbered R-1. The Series 2011 Bonds shall be dated as of the date of initial delivery to the Government, shall bear interest in the manner set forth in the Bond form attached hereto as Exhibit A at the rate of three percent (3.0%) per annum payable on November 1, 2011, and semi-annually thereafter on May 1 and November 1 of each year. The principal on the Series 2011 Bonds shall be due and payable on May 1 in the years 2012 through 2051 as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2012	36,000	2026	54,000	2039	79,000
2013	37,000	2027	56,000	2040	82,000
2014	38,000	2028	57,000	2041	84,000
2015	39,000	2029	59,000	2042	87,000
2016	40,000	2030	61,000	2043	90,000
2017	42,000	2031	63,000	2044	92,000
2018	43,000	2032	65,000	2045	95,000
2019	44,000	2033	67,000	2046	98,000
2020	45,000	2034	69,000	2047	101,000
2021	47,000	2035	71,000	2048	104,000
2022	48,000	2036	73,000	2049	107,000
2023	49,000	2037	75,000	2050	110,000
2024	51,000	2038	77,000	2051	113,000
2025	52,000				

b. Except to the extent provided on Exhibit A, principal and interest shall be payable by check or draft mailed to each Registered Owner at the registered address, as shown on the registration books of the Township maintained by the Bond Registrar. The principal and interest shall be payable to the Registered Owner of record as of the fifteenth day of the month prior to the payment date for each interest payment. The principal due upon the final maturity of the Bonds shall be payable by the Bond Registrar at the principal office of the Bond Registrar upon presentation and surrender thereof.

c. Principal of and interest on the Bonds shall be payable in lawful money of the United States.

d. Notwithstanding the foregoing or any other provision of this Ordinance, as amended, the Township Supervisor and the Township Treasurer are hereby authorized to adjust the final bond terms set forth herein to the extent necessary or convenient to complete the transactions authorized herein, and in pursuance of the foregoing are authorized to exercise the authority and make the determinations authorized pursuant to Section 7a(1)(c)(v) of Act 94 including, but not limited to, determinations regarding interest rates, prices, discounts, maturities, principal amounts, denominations, dates of issuance, interest payment dates, redemption rights, designation of series or subseries, the title or titles of the Series 2011 Bonds, the final form or forms of the Series 2011 Bonds, and other terms and provisions as the Township Supervisor and the Township Clerk determine to be necessary or appropriate in connection with the issuance of the Series 2011 Bonds, it being understood that any such adjustment in the final bond terms made by the Township Supervisor and the Township Clerk shall be limited as follows:

(1) The final maturity date of the Series 2011 Bonds shall not be later than May 1, 2051.

(2) The purchase price of the Series 2011 Bonds shall not be less than 100% of the principal amount thereof.

(3) The rate of interest shall not exceed 3.0% per annum.

(4) The principal amount of the Series 2011 Bonds shall not exceed \$2,700,000.

#### **Section 5. Redemption of Series 2011 Bonds.**

The Series 2011 Bonds shall be subject to redemption prior to maturity, at the option of the Township, in whole or in part in increments of \$1,000 in inverse order of maturity as the Township may determine and within any maturity by lot on any interest payment date on or after November 1, 2011, at par and accrued interest to the date fixed for redemption, without premium.

Notice of the call of any Series 2011 Bonds for redemption shall be given by first-class mail by the Bond Registrar, no less than thirty (30) days prior to the date fixed for redemption, to the registered owners of record at the registered addresses shown on the registration books kept by the Bond Registrar. Bonds so called for redemption shall not bear interest after the date fixed for redemption, whether presented for redemption or not, provided sufficient funds are on hand with the Bond Registrar to redeem said bonds.

**Section 6. Registration.** The Bonds shall be fully registered as to principal and interest on the register maintained for the Township by the Bond Registrar. Any Bond, upon surrender of the Bond to the Bond Registrar by the Registered Owner thereof, accompanied by delivery of a duly executed written instrument of transfer satisfactory to the Bond Registrar, may be exchanged for Bonds of any other authorized denominations of the same aggregate principal amount, maturity date and interest rate as the surrendered Bond.

Any Bond may be transferred upon the books of the Township maintained by the Bond Registrar by the Registered Owner thereof, in person or by his duly authorized attorney, upon surrender of the Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Bond Registrar. Whenever any Bond or Bonds shall be surrendered for transfer, the Bond Registrar shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount, maturity, interest rate and series. The Bond Registrar shall require the payment by the Registered Owner requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer.

The Township shall have the right to designate a successor to the Bond Registrar for any series of Bonds and, in such event, a notice shall be mailed to the Registered Owners by the Bond Registrar not less than sixty (60) days prior to the change in Bond Registrar.

The Township shall not be required (i) to issue, register the transfer of, or exchange any Bond during a period beginning at the opening of 15 business days before the date of the mailing of a notice of redemption of Bonds selected for redemption under this Ordinance and ending at the close of business on the day of that mailing, or (ii) to register the transfer of or exchange any Bond so selected for redemption in whole or in part, except the unredeemed portion of Bonds being redeemed in part.

**Section 7. Payment of Bonds; Creation of Lien.** The Bonds and the interest thereon shall be payable from the Net Revenues on a parity basis with other bonds of equal standing issued by the Township. To secure payment of the Bonds, there is hereby created a first priority statutory lien upon the Net Revenues. Pursuant to provisions of Act 94, the Township hereby pledges the Net Revenues to the repayment of the principal of, redemption premium, if any, and interest on the Bonds. The lien and pledge provided by this Ordinance shall continue until payment in full of all Bonds payable from Net Revenues.

**Section 8. No Pledge of Township Full Faith and Credit as Additional Security for Series 2011 Bonds.** The full faith and credit of the Township has not been pledged as security for the payment of the principal and interest on the Series 2011 Bonds and the Series 2011 Bonds do not constitute a general obligation of the Township.

**Section 9. Management.** The operation, repair and management of the System shall be under the supervision and control of the Township Board. The Township may employ such person or persons in such capacity or capacities as it deems advisable to carry on the efficient administration of the System. The Township may make such rules and regulations as it deems advisable and necessary to assure the efficient management and operation of the System.

**Section 10. Rates.** The rates to be charged for service furnished by the System and the methods of collection and enforcement of the collection of the rates shall be those permitted by law and established by the Board on or before the date of adoption of this Ordinance and thereafter as established by the Board.

**Section 11. No Free Service.** No free service shall be furnished by the System to any person, firm or corporation, public or private, or to any public agency or instrumentality.

**Section 12. Rate Covenant.** The rates charged in accordance with Section 10 of this Ordinance are estimated to be sufficient to provide for the payment of the expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the System in good repair and working order, and when taken together with Net Revenues, to provide for (i) an amount equal to the annual principal and interest requirements on all of the Bonds as the same become due and payable, (ii) the maintenance of the Bond Reserve Account in accordance with Section 14b., and (iii) to provide for all other obligations, expenditures and funds for the System required by law, and this Ordinance. The rates shall be fixed and revised from time to time as may be necessary to produce these amounts, and the Township hereby covenants and agrees to fix and maintain rates in accordance with Act 94 for services furnished by the System at all times sufficient to provide for the foregoing.

**Section 13. Operating Year.** The System shall be operated on the basis of an operating year which corresponds to the fiscal year of the Township which currently commences on July 1 and ends on the last day of the following June.

**Section 14. Funds and Accounts, Flow of Funds.** All Revenues of the System shall be set aside as collected and credited to a fund established with the Depository to be designated BLAIR WATER SYSTEM RECEIVING FUND (the "Receiving Fund"). The Revenues so credited shall be transferred within or from the Receiving Fund periodically in the manner and at the times hereinafter specified:

a. **OPERATION AND MAINTENANCE FUND:** Quarterly out of the Revenues credited to the Receiving Fund there shall be first set aside in, or credited to, a fund hereby ordered to be established and maintained with the Depository and designated **OPERATION AND MAINTENANCE FUND** (the "Operation and Maintenance Fund"), a sum sufficient to provide for the payment of the ensuing quarter's expenses of administration and operation of the System including such current expenses for the maintenance thereof as may be necessary to preserve the same in good repair and working order.

The Township Board, prior to the commencement of each operating year, shall adopt a budget covering the foregoing expenses for such year. During the course of the operating year, the total of such expenses shall not exceed the total amount specified in the budget, except by a majority vote of the members-elect of the Township Board.

b. **BOND AND INTEREST REDEMPTION FUND.** There shall be established and maintained a separate depository fund designated **BOND AND INTEREST REDEMPTION FUND** (the "Redemption Fund"), and the moneys on deposit from time to time therein shall, consistent with the pledge set forth in Section 7 above, be used solely for the purpose of paying the principal of, redemption premium, if any, and interest on the Bonds. Separate subaccounts shall be maintained in the Redemption Fund for each series of Bonds.

Out of the Net Revenues remaining in the Receiving Fund, after provision for the credit or deposit to the Operation and Maintenance Fund, there shall next be set aside, quarterly on the first day of each January, April, July and October, commencing July 1, 2011, and deposited in the Redemption Fund, for payment of principal and interest on the Bonds, a sum equal to at least one-half of the amount of the interest due on the next ensuing interest payment date plus not less than one-quarter of the principal maturing on the next ensuing principal payment date in each year, subject to any credit therefore from accrued interest and investment earnings transferred from the Bond Reserve Account. If there shall be any deficiency in the amount previously required to be set aside, then the amount of such deficiency shall be added to the next succeeding monthly requirement.

There is hereby established in the Redemption Fund a separate account to be known as the **BOND RESERVE ACCOUNT**. The Bond Reserve Account shall be funded by the Township commencing May 1, 2012 by the deposit of Net Revenues remaining, if any, after the set aside into the Redemption Fund of a sufficient sum for current principal and interest payments on the Bonds as provided in the preceding paragraph. The Bond Reserve Account shall be funded, to the extent of available monies, in the amount of \$11,700 annually until an amount equal to the Bond Reserve Requirement has been accumulated. All investment earnings in the Bond Reserve Account shall be transferred to the Redemption Fund and set aside in the subaccount maintained for the Series 2011 Bonds for payment of current principal and interest on the Series 2011 Bonds. If at any time it shall be necessary to use moneys credited to the Bond Reserve Account for the payment of principal and interest on the Series 2011 Bonds, then the moneys so used shall be replaced over a period of not more than 5 years from the Net Revenues first received thereafter which are not required for current principal and interest requirements on the Series 2011 Bonds. If at any time there is any excess in the Bond Reserve Account over the Bond Reserve Requirement, such excess may be transferred to such fund or account as the Township Board shall direct. No proceeds of the Series 2011 Bonds shall be used to fund the Bond Reserve Account.



No further payments need be made into the Redemption Fund subaccount for a particular series of Bonds after enough principal on said series of Bonds has been paid so that the amount then held in the Redemption Fund subaccount is equal to the entire amount of principal and interest which will be payable at the time of maturity of said series of Bonds and the monies so held shall be used solely to pay the principal of and interest on said series of Bonds, including redemption premium, if any, as the series of Bonds become due.

c. **REPAIR, REPLACEMENT AND IMPROVEMENT FUND:** There shall be established and maintained with the Depository a fund designated REPAIR, REPLACEMENT AND IMPROVEMENT FUND (the “Repair, Replacement and Improvement Fund”) for the purpose of making repairs, replacements, additions, improvements, extensions and enlargements to the System. Commencing May 1, 2012, there shall be set aside in or credited to the Repair, Replacement and Improvement Fund, after provision is made for the requirements of the foregoing funds and accounts, the sum of not less than \$25,000 each year until the Bond Reserve Requirement has been accumulated in the Bond Reserve Account, and thereafter the sum of not less than \$36,700 each year, together with such additional amount as established by the Township Board.

d. **CONTRACT PAYMENT FUND.** There shall next be established and maintained a separate depository account, to be designated “Contract Payment Fund,” which shall be used solely for the payment of the Township’s obligations to the County of Grand Traverse pursuant to the County Bond Contract with respect to the payment of the County Bonds. All collections of special assessments levied by the Township with respect to the Township’s obligations under the County Bond Contract shall be deposited into the Contract Payment Fund. In addition, any Revenues in the Receiving Fund that remain each year after satisfying all requirements of the Operation and Maintenance Fund, the Redemption Fund, including the subaccounts established for each series of bonds and the Bond Reserve Account, and the Repair, Replacement and Improvement Fund shall be deposited in the Contract Payment Fund to the extent necessary to provide funds, which, taken together with collections of special assessments then on deposit, will be sufficient to pay when due the aforesated Township obligations under the County Bond Contract to the County of Grand Traverse. Should the Revenues of the System prove insufficient for this purpose, such revenues may be supplemented by any other funds of the Township legally available for such purpose.

e. **SURPLUS MONEYS:** Any Revenues in the Receiving Fund at the end of any quarter of any operating year after satisfying all requirements of the Operation and Maintenance Fund, the Redemption Fund, including the subaccounts established for each series of Bonds and the Bond Reserve Account, the Repair, Replacement and Improvement Fund and the Contract Payment Fund shall be deemed to be surplus moneys, and may, at the option of the Township Board be used for any of the following purposes:

- (1) Transfer to the Repair, Replacement and Improvement Fund;
- (2) Transfer to the Redemption Fund and used for the prepayment, payment, or purchase of Bonds;
- (3) Transfer to the Contract Payment Fund and used for the prepayment of the Township’s obligations under the County Bond Contract to enable the County of Grand Traverse, in turn, to prepay, redeem or purchase then outstanding County Bonds; or

(4) Used for such purpose or purposes as the Township Board may determine to be for the best interests of the Township, subject to the prior consent of the Government so long as the Government is a Registered Owner of the Series 2011 Bonds.

If there should be any deficit in the Operation and Maintenance Fund, Redemption Fund, including the Bond Reserve Account, or the Replacement and Improvement Fund on account of defaults in setting aside required amounts therein, then transfers shall be made from the moneys remaining in the Receiving Fund at the end of any operating year to those funds in the priority and order specified herein, to the extent of any deficit, before any other disposition is made of the monies in the Receiving Fund at the end of any operating year.

f. TOWNSHIP ORDINANCE NO. 116; RECEIVING FUND. The Receiving Fund established by Article XII of Township Ordinance No. 116 adopted by the Township on September 8, 1998, as amended from time to time and known as the Water Connection, Use and Rate Ordinance (the "Prior Receiving Fund") shall be replaced and superseded by the Receiving Fund established by the terms of this Section 14 and, in this regard, Article XII of Ordinance No. 116, is hereby repealed as of the Effective Date of this Ordinance and, as of such date, all funds on deposit in the Prior Receiving Fund, and its several accounts, shall be transferred and deposited to the Receiving Fund, and its several accounts, established by the terms of this Section 14.

**Section 15. Depository; Fidelity Bond.** Moneys in the several funds and accounts established pursuant to this Ordinance, except moneys in the Redemption Fund, including the Bond Reserve Account, the Contract Payment Fund, and moneys derived from the proceeds of sale of the Bonds and deposited to the Construction Fund in accordance with Section 17, below, may be kept in one bank account with the Depository, in which event the moneys in the bank account shall be allocated on the books and records of the Township and deposited to the fund and accounts herein established, in the manner and at the times provided in this Ordinance. So long as the Government is a Registered Owner of Series 2011 Bonds, the Township Treasurer and all other persons responsible for the handling of Revenues and proceeds of the Series 2011 Bonds shall execute a fidelity bond in the amount required by the Government with a surety company approved by the Government, which names the Township and the Government as co-obligees and the amount thereof shall not be reduced without the prior written consent of the Government.

**Section 16. Priority of Funds.** In the event the moneys in the Receiving Fund are insufficient to provide for the current requirements of the Operation and Maintenance Fund or the Redemption Fund any moneys or securities in other funds of the System, including the Contract Payment Fund (with the exception of proceeds of special assessments), except the proceeds of sale of the Series 2011 Bonds, shall be credited or transferred, first, to the Operation and Maintenance Fund and second, to the Redemption Fund, to the extent of any deficit therein.

**Section 17. Proceeds of Series 2011 Bonds.** The proceeds of sale of the Series 2011 Bonds shall be deposited in a separate depository fund designated BLAIR WATER SYSTEM CONSTRUCTION FUND (the "Construction Fund"). The monies in the Construction Fund shall be kept on deposit with the Depository. Monies in the Construction Fund shall be applied solely in payment of the costs of the Project and any engineering, legal and other expenses incident thereto and to the financing thereof. No proceeds of the Series 2011 Bonds shall be used to pay capitalized interest. Payments for construction, either on account or otherwise, shall

not be made unless the Consulting Engineer shall file with the Township a signed statement to the effect that the work has been completed in accordance with the plans and specifications therefor; that it was done pursuant to and in accordance with the contract therefor; that such work is satisfactory; and that such work has not been previously paid for. No proceeds of the Series 2011 Bonds shall be used to fund the Bond Reserve Account.

Proceeds of the Series 2011 Bonds shall be advanced to the Township in installments in accordance with the terms of the Government's loan commitment to the Township.

Any unexpected balance of the proceeds of sale of the Series 2011 Bonds remaining in the Construction Fund after completion of the Project may in the discretion of the Township Board be used for further improvements, enlargements and extensions to the System if, at the time of such expenditure, such use is approved by the Michigan Department of Treasury or any successor agency, if such permission is then required by law; provided that in the event the Government is a Registered Owner of the Series 2011 Bonds, the use of any unexpended proceeds of the Series 2011 Bonds must be authorized in writing by the Government. Any balance remaining in the Construction Fund remaining after any such expenditure shall be paid into the Redemption Fund and may be used for the purpose of prepaying Series 2011 Bonds or purchasing said Series 2011 Bonds on the open market at not more than the fair market value thereof.

**Section 18. Investments.** Moneys in the funds and accounts established herein may be invested by the Township Treasurer on behalf of the Township in Investment Obligations. Investment of moneys in the Redemption Fund being accumulated for payment of the next maturing principal or interest payment on the Bonds shall be limited to Government Obligations bearing maturity dates prior to the date of the next maturing principal or interest payment respectively on the Bonds or a money market fund with daily liquidity invested exclusively in Government Obligations and which maintains a net asset value of \$1.00 per share. Investments of moneys in any other funds or accounts, including moneys derived from the proceeds of sale of the Bonds, shall be limited to obligations bearing maturity dates or subject to redemption, at the option of the holder thereof, not later than the time estimated by the Township when the moneys from such investments will be required. Any securities representing investments shall be kept on deposit with the bank or trust company having on deposit the fund or funds or account from which such purchase was made. Earnings or profits on any investment of funds in any fund or account established in this Ordinance shall be deposited in or credited to the fund or account to which the investment belongs unless otherwise provided in this Ordinance.

**Section 19. Covenants.** The Township covenants and agrees with the Registered Owners of the Bonds that so long as any of the Bonds remain as Outstanding Bonds and unpaid as to either principal or interest:

a. The Township will maintain the System in good repair, working order and operating condition, will operate the same efficiently and will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Michigan and this Ordinance.

b. The Township will maintain and keep proper books of record and account separate from all other records and accounts of the Township in accordance with applicable law. Not later than six (6) months after the close of each operating year of the System, the Township

will cause an annual audit of the books of record and account of the System for the preceding operating year by an independent certified public accountant. The audit shall be completed and made available in accordance with applicable law. So long as the Government is a Registered Owner of Bonds, the audit shall be performed in accordance with current Government requirements and a copy of the audit shall be filed with the Government. The audit may, at the option of the Township, be used in lieu of the statement to be prepared for the Michigan Department of Treasury and for all purposes which the statement is required to be used by this Ordinance.

c. The Township shall maintain and carry insurance on all physical properties of the System and liability insurance of the kinds and in the amounts normally carried by municipalities engaged in the operation of public Water systems. All moneys received for losses under any such insurance policies shall be applied solely to the replacement and restoration of the property damaged or destroyed, and to the extent not so used, shall be placed in the Redemption Fund and used for the purpose of redeeming or purchasing Bonds on a ratable basis.

d. The Township is the owner of the System, subject to the terms and conditions of the County Bond Contract. The Township will not voluntarily sell, lease, abandon, dispose of or transfer its title to any part of the System, including lands and interests in lands, by sale, mortgage, lease or other encumbrances, or permit others to do so, without effective assignment of obligations and the prior written approval of the Government, so long as the Government is a Registered Owner of Bonds.

e. So long as the Government is a Registered Owner of the Bonds, the Government shall have the right to inspect the System and the records, accounts and data relating thereto at all reasonable times.

f. So long as the Government is the Registered Owner of the Series 2011 Bonds, and notwithstanding anything provided to the contrary in this Ordinance, the Township shall comply with all terms and provisions of the Loan Resolution.

**Section 20. Additional Bonds.** The Township may issue Additional Bonds of equal standing with the Series 2011 Bonds for the purpose of making reasonable repairs, replacements or extensions of the System or for the purpose of refunding all or part of the Bonds then outstanding and paying costs of issuing such Additional Bonds, including deposits to be made to the Bond Reserve Account. Additional Bonds for repair, replacement or extension of the System may be issued only if the Net Revenues of the System for the fiscal year next following the fiscal year in which such Additional Bonds are to be issued are estimated to be 100 percent (100%) of the average annual principal and interest requirements on all Bonds then outstanding and the Additional Bonds proposed to be issued. If the Additional Bonds are to be issued in whole or in part for refunding outstanding Bonds the average annual principal and interest requirements shall be determined by deducting from the principal and interest requirements for the fiscal year next following the annual principal and interest requirements of any bonds to be refunded from the proceeds of the Additional Bonds proposed to be issued.

In estimating the Net Revenues for the fiscal year next following the fiscal year in which Additional Bonds are to be issued, the estimate may include Net Revenues expected to accrue as a result of any increase in System rates, fees or charges approved by the Board at or prior to the

time of authorizing the Additional Bonds or as a result of the repairs, extensions, enlargements or extensions of the System and, in addition, such estimate may include an amount equal to the investment income representing interest on investments estimated to be received from any addition to the Bond Reserve Account to be funded from the proceeds of the Additional Bonds proposed to be issued.

The issuance of Additional Bonds is expressly subject to the prior written consent of the Government during the period that the Government is a registered holder of any Bonds.

**Section 21. Appointment of Receiver and Statutory Rights.** In the event of a default in the punctual payment of principal of and interest on the Bonds when due, any Court, having jurisdiction in any proper action may appoint a receiver of the System in accordance with the provisions of Act 94. The Registered Owners of Bonds representing in the aggregate principal amount not less than twenty percent (20%) of all Outstanding Bonds, may protect and enforce the statutory lien and pledge of the funds and accounts and Net Revenues created by Act 94, and enforce and compel the performance of all duties of the officials of the Township and the Board, including the fixing of sufficient rates, the collection of Revenues, the proper segregation of Revenues, and the proper application of Revenues. In addition to the rights conferred to Registered Owners by the Ordinance, the Registered Owners shall have all the rights conferred by Act 94. The statutory lien upon the Net Revenues, however, shall not be construed to compel the sale of the System or any part thereof.

**Section 22. Remedies Not Exclusive.** No remedy by the terms of the Ordinance conferred upon or reserved to the Registered Owners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Ordinance or existing at law or in equity or by statute on or after the date of the Ordinance.

**Section 23. Effect of Waiver and Other Circumstances.** No delay or omission of any Registered Owner to exercise any right or power arising upon the happening of an event of default shall impair any right or power or shall be construed to be a waiver of any such event of default or be an acquiescence therein and every power and remedy given by this Ordinance to the Registered Owners may be exercised from time to time and as often as may be deemed expedient by the Registered Owners.

**Section 24. Negotiated Sale of Series 2011 Bonds.** The Series 2011 Bonds shall be sold on a negotiated sale basis at par to the Government, pursuant to Section 12(2) of Act 94 on the terms set forth in this Ordinance. The Township has elected a negotiated sale to the Government instead of a competitive sale to take advantage of the fixed interest rate of 3.0% offered by the Government for the full forty (40) year term of the Series 2011 Bonds. The Supervisor, Clerk and Treasurer are hereby authorized to do all other acts and undertake all necessary procedures required to effectuate the sale, issuance and delivery of the Series 2011 Bonds.

**Section 25. Covenant Regarding Tax Exempt Status of the Series 2011 Bonds.**

a. The Township covenants to comply with all requirements of the Code necessary to assure that the interest on the Series 2011 Bonds, if any, will be and will remain excludable from gross income for federal income tax purposes (as opposed to alternative

minimum or other indirect taxation). The Township hereby covenants that the Township will make no use of the proceeds of the Series 2011 Bonds, if any, which if such use had been reasonably expected on the date of issuance of the Series 2011 Bonds, would have caused the Series 2011 Bonds to be "arbitrage bonds", as defined in Section 148 of the Code. In addition, the Township covenants to comply with all applicable provisions of the Code that must be satisfied subsequent to the issuance of the Series 2011 Bonds, if any, in order that the interest on the Series 2011 Bonds be excluded (or continue to be excluded) from gross income within the meaning of Section 103(a) of the Code.

b. The Board hereby designates the Series 2011 Bonds as "qualified tax exempt obligations" for purposes of deduction of interest expense by financial institutions under the provisions of Section 265(b) (3) of the Code, it being reasonably anticipated that the aggregate amount of qualified tax exempt obligations which will be issued by the Township and all subordinate entities to the Township shall not exceed \$10,000,000 during calendar year 2011.

c. The Series 2011 Bonds and the interest, if any, on the Series 2011 Bonds shall be exempt from taxation by the State of Michigan or by any taxing authority within the State of Michigan.

**Section 26. Ordinance to Constitute Contract.** In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Township and the Registered Owners from time to time of the Bonds and the lien and pledge made in this Ordinance and the covenants and agreements herein set forth to be performed on behalf of the Township shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by this Ordinance.

**Section 27. Graduation of Bonds.** If at any time that the Government is a Registered Owner of Series 2011 Bonds it shall appear to the Government that the Township is able to refund, upon call for redemption or with consent of the Government, the then outstanding Series 2011 Bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time the Township will, upon request of the Government, apply for and accept such loan, in sufficient amount to repay the Government.

**Section 28. Execution of Series 2011 Bonds.** The Supervisor and Township Clerk are authorized and directed to execute the Series 2011 Bonds on behalf of the Township in substantially the form approved with such necessary variations, omissions, corrections and insertions as they deem appropriate and are required for and on behalf of the Township, manually or by facsimile signature for and on behalf of the Township, and to place thereon the Township Seal or a facsimile thereof; provided that the Bonds shall be executed by the facsimile signatures of the said Supervisor and Township Clerk only if the Bonds are thereafter manually authenticated by the Bond Registrar. Upon execution of the Series 2011 Bonds, the Township Treasurer is hereby authorized and directed to deliver or cause to be delivered the Series 2011 Bonds to the Bond Registrar for authentication and, in turn to the purchaser thereof, upon receipt of the purchase price therefor. Executed blank Series 2011 Bonds for registration and issuance

to transferees may simultaneously, and from time to time thereafter as necessary, be delivered to the Bond Registrar for safekeeping. It is understood that the Government may take delivery of and/or pay for the Series 2011 Bonds in one or more installments.

**Section 29. Execution of Closing Documents.** The Supervisor, Clerk and Treasurer are authorized and directed to execute and deliver on behalf of the Township such other certificates, affidavits, investment agreements or other documents or instruments as may be required by the Government or bond counsel or convenient to effectuate the execution and delivery of the Series 2011 Bonds.

**Section 30. Delivery of Bonds.** The Township shall furnish the Series 2011 Bonds ready for execution without expense to the purchaser. The Township shall also furnish without expense to the respective purchaser at the time of delivery of the Series 2011 Bonds, the approving opinion of Mika Meyers Beckett & Jones PLC, Attorneys, Grand Rapids, Michigan, approving the legality of the Series 2011 Bonds. The Series 2011 Bonds will be delivered at the expense of the Township in the manner and at the location as agreed upon with the purchaser thereof.

**Section 31. No Defeasance of Series 2011 Bonds.** So long as the Government is a Registered Owner of the Series 2011 Bonds, the Series 2011 Bonds shall not be subject to defeasance.

**Section 32. Revised Municipal Finance Act.** The Township meets the requirements of qualified status under Section 303(3) of the Revised Municipal Finance Act, Act 34 of the Public Acts of Michigan of 2001, as amended ("Act 34") and shall comply with the requirements of Section 319(1) of Act 34.

**Section 33. Reaffirmation of Township Obligations Under County Bond Contract.** The Township hereby reaffirms its obligations under the County Bond Contract. In addition, the Township hereby determines that the authorization and issuance of the Bonds secured by a first priority lien on Net Revenues and the pledge of Net Revenues has been made by the Township in accordance with Section 16 of the County Bond Contract.

**Section 34. Conflicting Ordinances.** All ordinances, resolutions or orders, or parts thereof, in conflict with the provisions of this Ordinance are repealed.

**Section 35. Severability and Paragraph Headings.** If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provisions shall not affect any of the other provisions of this Ordinance. The paragraph headings in this Ordinance are furnished for convenience of reference only and shall not be considered to be a part of this Ordinance.

**Section 36. Publication and Recordation.** This Ordinance shall be published in full in *The Traverse City Record Eagle*, a newspaper of general circulation in the Township qualified under State law to publish legal notices, promptly after its adoption, and shall be recorded in the Ordinance Book of the Township and such recording authenticated by the signatures of the Supervisor and the Township Clerk.

**Section 37. Effective Date.** In accordance with Act 94, this Ordinance shall become effective immediately upon its adoption.

Passed and adopted by the Township Board of the Township of Blair, County of Grand Traverse, Michigan, on May 10, 2011, and approved by me on May 10, 2011.

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Patrick Pahl, Supervisor  
Township of Blair

ATTEST:

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Betty Tharp  
Township Clerk



REGISTERED

REGISTERED

EXHIBIT A

(FORM OF REGISTERED BOND FOR SERIES 2011 BONDS)

UNITED STATES OF AMERICA

STATE OF MICHIGAN

COUNTY OF GRAND TRAVERSE

TOWNSHIP OF BLAIR

WATER REVENUE BONDS, SERIES 2011

No. R-1

REGISTERED OWNER: United States of America

PRINCIPAL AMOUNT: \$2,700,000

INTEREST RATE: Three percent (3.0%) per annum

DATE OF ORIGINAL ISSUE AND REGISTRATION: The date each installment portion of the Principal Amount was delivered to the Registered Owner as set forth on the Certificate of Authentication and Registration.

The Township of Blair, County of Grand Traverse, State of Michigan (the "Township"), for value received, hereby promises to pay the Principal Amount shown above to the Registered Owner specified above in installments in the amounts and on the dates as set forth in Schedule I, attached hereto and made a part hereof, with interest thereon from the Date of Original Issue and Registration specified above until paid at the Interest Rate per annum specified above, payable on November 1, 2011, and semi-annually on each May 1 and November 1 thereafter from the May 1 or November 1 next preceding, unless interest on this bond has not been paid in full or duly provided for, in which case from the date to which interest has been paid in full, or if no interest has been paid on this bond, from the Date of Original Issue and Registration specified above, until payment of the Principal Amount has been made or duly provided for. Principal due upon the final maturity of this bond is payable at the principal office of the Blair Township Treasurer (the "Bond Registrar"), or such other location as the Township may hereinafter designate by notice mailed to the registered owner not less than 60 days prior to any interest payment date. Principal (except for the final maturity thereof) and interest on the unpaid outstanding principal balance of this bond is payable to the registered owner of this bond as of the 15th day of the month next preceding the payment date as shown on the registration books of the Township kept by the Bond Registrar by check or draft mailed to the registered owner at the registered address, and for the prompt payment thereof, the revenues of the Blair Water System (the "System"), including all appurtenances, extensions and improvements thereto, after provision has been made for reasonable and necessary expenses of operation, maintenance and

administration (the “Net Revenues”), are irrevocably pledged and a statutory lien thereon has been created in the manner described below. The principal of and interest on this Bond shall be payable in lawful money of the United States.

This bond is issued pursuant to Ordinance No. 137-11 (the “Ordinance”), duly adopted by the Township Board of the Township and under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 94 of the Public Acts of Michigan of 1933, as amended, for the purpose of paying the cost of acquisition and construction of improvements to the System.

For a complete statement of the revenues from which and the conditions under which this bond is payable, a statement of the conditions under which additional bonds of equal standing may hereafter be issued, the rights and limitations on the owners of the bonds and the general covenants and provisions pursuant to which this bond is issued, reference is made to the Ordinance.

Installments of principal may be prepaid prior to maturity at the option of the Township, on any interest payment date on and after November 1, 2011, in whole or in part, in increments of \$1,000 or multiples thereof in the amount selected by the Township, in inverse order of principal installment due date at par without premium, plus accrued interest to the date of prepayment.

Notice of prepayment shall be given by the Bond Registrar to the registered owner by registered mail, mailed not less than 30 days prior to the date fixed for prepayment to the registered address, provided that the failure to receive such notice shall not affect the validity of the prepayment. No interest shall accrue on the amount of principal so prepaid after the date fixed for prepayment, provided funds are on hand with the Bond Registrar to make the prepayment.

This bond is a self-liquidating bond and is not a general obligation of the Township and does not constitute an indebtedness of the Township within any constitutional, statutory or charter limitation, but is payable, both as to principal and interest, solely from the Net Revenues of the System. The principal of and interest on this bond are secured by a first priority statutory lien on the Net Revenues of the System on a parity basis with bonds of equal standing.

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

This bond is transferable only upon the registration books of the Township kept by the Bond Registrar by the registered owner hereof in person, or by his attorney duly authorized in

writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing, and thereupon a new registered bond or bonds in the same aggregate principal amount and of the same maturity shall be issued to the transferee in exchange therefor as provided in the Ordinance, and upon the payment of the charges, if any, therein prescribed.

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

This bond is not valid or obligatory for any purpose until the Certificate of Authentication and Registration on this bond has been executed by the Bond Registrar.

IN WITNESS WHEREOF, the Township of Blair, County of Grand Traverse, State of Michigan, by its Township Board, has caused this bond to be executed by its Supervisor and its Township Clerk and its corporate seal to be affixed on this bond all as of the Date of Original Issue And Registration.

TOWNSHIP OF BLAIR

By \_\_\_\_\_  
Patrick Pahl  
Its Supervisor

[SEAL]

By \_\_\_\_\_  
Betty Tharp  
Its Township Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

NOTHING TO BE WRITTEN HEREON EXCEPT  
BY THE BOND REGISTRAR

Date of Registration	Name of Registered Owner	Principal Installment Delivered	Signature of Bond Registrar
	United States of America		

SCHEDULE I

**TOWNSHIP OF BLAIR**  
**\$2,700,000**  
**WATER REVENUE BONDS, SERIES 2011**

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2012	36,000	2026	54,000	2039	79,000
2013	37,000	2027	56,000	2040	82,000
2014	38,000	2028	57,000	2041	84,000
2015	39,000	2029	59,000	2042	87,000
2016	40,000	2030	61,000	2043	90,000
2017	42,000	2031	63,000	2044	92,000
2018	43,000	2032	65,000	2045	95,000
2019	44,000	2033	67,000	2046	98,000
2020	45,000	2034	69,000	2047	101,000
2021	47,000	2035	71,000	2048	104,000
2022	48,000	2036	73,000	2049	107,000
2023	49,000	2037	75,000	2050	110,000
2024	51,000	2038	77,000	2051	113,000
2025	52,000				

## **CERTIFICATE OF TOWNSHIP CLERK**

I hereby certify that the foregoing is a true and complete copy of an Ordinance adopted by the Township Board of the Township of Blair, County of Grand Traverse, State of Michigan, at a regular meeting held on May 10, 2011, and that public notice of said meeting was given pursuant to the Open Meetings Act, being Act No. 267, Public Acts of Michigan, 1976, as amended, including in the case of a special or rescheduled meeting, notice by posting at least eighteen (18) hours prior to the time set for said meeting.

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

Dated: \_\_\_\_\_, 2011

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Betty Tharp  
Township Clerk

CERTIFICATE OF PUBLICATION

I, Betty Tharp, Township Clerk of the Township of Blair, County of Grand Traverse, State of Michigan, hereby certify that Ordinance No. 137-11 was published in full in *The Traverse City Record Eagle* on \_\_\_\_\_, 2011.

Dated: \_\_\_\_\_, 2011

\_\_\_\_\_  
Betty Tharp  
Township Clerk