



Village of Freeport
Ordinance # 46

ORDINANCE # 46

An ORDINANCE TO AUTHORIZE AND PROVIDE FOR THE ISSUANCE OF WATER REVENUE BONDS TO FUND THE COST OF IMPROVEMENTS TO THE FREEPORT WATER SUPPLY AND DISTRIBUTION SYSTEM; AND TO REFUND AND CALL BOND ANTICIPATION NOTES FOR MANDATORY REDEMPTION; TO PROVIDE FOR THE SECURITY OF THE BONDS HEREIN AUTHORIZED; AND TO PROVIDE FOR OTHER MATTERS RELATIVE TO SAID IMPROVEMENTS AND BONDS.

THE VILLAGE OF FREEPORT 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 2005 Bonds issued pursuant to Section 20 of this Ordinance, and does not include the Village Share Bonds.
- C. Bond Registrar means the Village Treasurer who shall initially act on behalf of the Village 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 Council
- D. 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 annul principal and interest requirements on the Bonds, (iii) 125 percent (125%) of the average annual principal and interest requirements on the Bonds or (iv) \$46,500, with respect to the Series 2005 Bonds.
- E. Bonds means the Series 2005 Bonds, including the bonds delivered to the initial purchaser thereof and any individual bonds exchanged therefore, and, when issued and delivered, any Additional Bonds authorized and issued in accordance with Section 20 of this Ordinance, and does not include the Village Share Bonds.
- F. Village means the village of Freeport, Barry County, Michigan.
- G. Consulting Engineers means the engineer or engineering frm 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 Council to perform 'the acts and carry out the duties provided for such Consulting Engineers in the Ordinance.
- H. 'Council' or 'Village Council' means the Village Council of the Village.
- I. 'Depository' shall mean Union Bank, Freeport, 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 Council.

J. Government means the United States of America.

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

L. Investment Obligations means the investments permitted by Section 24 of Act94.

M. Loan Resolution means the Loan Resolution (RUS Bulletin 1780-27) adopted by the Village Council prior to issuance of and with respect to the Series 2005 Bonds.

N. "Net Revenues" means the Revenues remaining after deducting the reasonable expenses of administration, operation, and maintenance of the System.

O. Notes means the Village's Bond Anticipation Notes, Series 2004 dated February 27,2004 (the "Notes") issued in anticipation of and primarily payable from the Series 2005 Bonds.

P. 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.

a. "1)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 3l 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

R. Project includes the improvements to the System to be funded in part from proceeds of the Series 2005 Bonds and the Village Share Bonds including improvements to the well supply system, water distribution system and elevated storage tank and related appurtenances.

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

T. Revenues means the income derived from the rates charged for the servicing 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 except with regard to the public fire hydrant rental to be paid from the Village general fund in accordance with the Village Water Connection, Use and Rate Ordinance, Revenues shall include only that portion of the public fire hydrant rental that remains each year after application each year of the public fire hydrant rental to the maturing principal of and interest on the Village Share Bonds. 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.

U. series 2005 Bonds means the Village's Water Revenue Bonds, Series 2005 in the amount of \$850,000 as authorized by this Ordinance.

V. System means the complete public water supply and distribution

system of the Village intended to serve the Village of Freeport, including the supply, treatment, transmission and distribution facilities together with all plants, works, instrumentalities and properties, used or useful in connection with the supply and distribution of public drinking water and all additions, extensions and improvements existing or hereafter acquired, including the Project.

W. Village Share Bonds means the Village's Village Share Bonds, Limited Tax General Obligation, Series 2005 in the amount of \$60,000 as authorized by a separate bond authorizing resolution.

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 Village to acquire and construct the Project in accordance with the detailed plans and specifications therefore prepared by Williams & Works, INC., consulting engineers of Grand Rapids, Michigan, which plans and specifications are hereby approved. The cost of the Project has been estimated by said engineers to be One Million Three Hundred Thirty-one Thousand Five Hundred Seventy-eight Dollars (\$1,331,578) 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; Plan of Refunding.

A. To defray a portion of the cost of acquiring and constructing the Project and the payment of the principal of and interest on the Notes payable upon the mandatory redemption of the Notes in accordance with the terms thereof including the payment of legal, engineering, financial and other expenses incident thereto and incident to the issuance and sale of the Series 2005 Bonds, it is hereby determined that the Village borrow the sum of Eight Hundred Fifty Thousand Dollars (\$850,000). To evidence this borrowing, the Village shall issue the Series 2005 Bonds to fund a portion of the cost of the project in the amount of \$50,000. The remaining cost of the Project in the estimated amount of \$481,578 will be funded by a CDBG grant, the proceeds of the Village Share Bonds and from available Village funds on hand. No interest on the Series 2005 Bonds shall be capitalized or paid from proceeds of the Series 2005 Bonds.

B. The Notes are subject to mandatory redemption in full prior to maturity on a date to be determined by the Village, which date shall not be more than sixty (60) days after the expected date of issuance of the Series 2005 Bonds and the principal of and interest on the Notes payable upon such redemption are payable from the proceeds of the Series 2005 Bonds. Accordingly, the Notes shall be refunded in full on a current refunding basis from the proceeds of the Series 2005 Bonds as required by Section 413 of Act 34 of the Public Acts of Michigan of 2001, as amended.

Section 4. Series 2005 Bond Details.

A. The Series 2005 Bonds shall be issued in the amount of \$850,000 and shall be designated WATER REVENUE BONDS, SERIES 2005, substantially in the form attached to this Ordinance as Exhibit A. The Series 2005 Bonds shall be payable and secured in the manner set forth in Sections 7 and 14B (with respect to the Bond Reserve Account). The Series 2005 Bonds shall be initially issued in fully-registered form in a single manuscript bond and shall be numbered R- 1. The Series 2005 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 four and one-half percent (4.507%) per annum or such lower rate per annum as shall be approved by the Village President, payable on October 1, 2005, and semi annually thereafter on

April 1 and October 1 of each year. The principal on the Series 2005 Bonds shall be due and payable on April 1 in the years 2006 through 2045 as set forth in subsection B.

B. The Series 2005 Bonds shall mature serially on April 1 in the years 2006 to 2045, as follows:

Year:	Principal (April 1)
2006	8,000
2007	8,000
2008	9,000
2009	9,000
2010	9,000
2011	10,000
2012	10,000
2013	11,000
2014	11,000
2015	12,000
2016	12,000
2017	13,000
2018	13,000
2019	14,000
2020	15,000
2021	15,000
2022	16,000
2023	17,000
2024	17,000
2025	18,000
2026	19,000
2027	20,000
2028	21,000
2029	22,000
2030	23,000
2031	24,000
2032	26,000
2033	27,000
2034	28,000
2035	29,000
2036	30,000
2037	31,000
2038	33,000
2039	34,000
2040	35,000
2041	37,000
2042	38,000
2043	40,000
2044	42,000
2045	44,000
Totals	\$850,000

C. 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 Village 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.

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

Section 5. Redemption of Series 2005 Bonds.

The Series 2005 Bonds shall be subject to redemption prior to maturity, at the option of the Village, in whole or in part in increments of \$1,000 in inverse order of maturity as the Village may determine and within any maturity by lot on any interest payment date on or after October 1, 2005, ad par and accrued interest to the date fixed for redemption, without premium.

Notice of the call of any Series 2005 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 Village 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 Village 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 Village shall have the right to designate a successor to the Bond Registrar with respect to any series of the 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 Village 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 on an equal standing basis solely from the Net Revenues and to secure such payment there is hereby created a first priority statutory lien upon the Net Revenues. Pursuant to provisions of Act 94, the Village 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 Village Full Faith and Credit as Additional Security for

Series 2005 Bonds. The full faith and credit of the Village has not been pledged as security for the payment of the principal and interest on the Series 2005 Bonds and the Series 2005 Bonds do not constitute a general obligation of the Village.

Section 9. Management. The operation, repair and management of the System shall be under the supervision and control of the Village Council. The Village 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 Village 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 Council on or before the date of adoption of this Ordinance and thereafter as established by the Council.

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, 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 Village 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 Village which currently commences on March 1 and ends on the last day of the following February.

Section 14. Funds and Accounts. Flow of Funds. All Revenues of the System shall be set aside as collected and credited to a fund to be designated WATER SUPPLY SYSTEM RECEIVING FUND (the "Receiving Fund"). The Revenues so credited are pledged for the purpose. Of the following funds and 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 on the first day of each March, June, September and December, 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 Village Council, 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, 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 Village Council.

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 be used solely for the purpose of paying the principal off redemption premium, if any, and interest on the Bonds. The moneys in the Redemption Fund, shall be kept on deposit with the Bond Registrar for 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 March, June, September and December, commencing September 1, 2005, 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.

Notwithstanding the foregoing, the payment to be set aside on September 1, 2005 with respect to interest shall equal the interest payment due on the Series 2005 Bonds on October 1, 2005 and the payments to be set aside on September 1, 2005, December 1, 2005 and March 1, 2006, with respect to principal shall equal one-third of the principal due on the

Series 2005 Bonds on April 1, 2006. 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 quarterly requirement. There is hereby established in the Redemption Fund a separate account to be known as the BOND RESERVE ACCOUNT. Separate subaccounts shall be maintained in the Bond Reserve Account for each series of the Bonds. For the first ten years of the repayment of the Series 2005 Bonds commencing December 1, 2006, the Bond Reserve Account shall be funded by the Village 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 on December 1, 2006 in the amount of \$4,650 for the Series 2005 Bonds and annually on each December 1 thereafter in the amount of \$4,650 each year for the Series 2005 Bonds until an amount equal to the Bond Reserve Requirement (\$46,500 for the Series 2005 Bonds) has been accumulated in the subaccount for the for the Series 2005 Bonds. All investment earnings in the subaccount for the for the Series 2005 Bonds in the Bond Reserve Account shall be transferred to the Redemption Fund and set aside for the payment of current principal and interest on the Series 2005 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 2005 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 2005 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 Village Council shall direct. No proceeds of the Series 2005 Bonds shall be used to fund the Bond Reserve Account. Subject to Section 3I of this Ordinance, 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 CAPITAL IMPROVEMENT FUND: There shall be established and maintained with the Depository a fund designated REPAIR& REPLACEMENT AND CAPITAL IMPROVEMENT FUND (the 'Replacement Fund') for the purpose of making repairs (including emergency maintenance), replacements (including short-lived assets which have useful lives less than the term of the Series 2005 Bonds), additions, improvements, extensions and enlargements to the System. For the first ten years of the repayment of the Series 2005 Bonds, commencing December 1, 2006 and annually on December 1 of each year thereafter until December 1, 2015, there shall be set aside in or credited to the Replacement Fund, after provision is made for the requirements of the foregoing funds and accounts, the sum of not less than \$4,900 each year until the Bond Reserve Requirement has been accumulated in the Bond Reserve Account and thereafter the sum of not less than \$9,550 each year, together with such additional amount as established by the Village Council.

D. SURPLUS MONEYS: Any Revenues in the Receiving Fund at the end of any month 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, and the Replacement Fund shall be deemed to be surplus moneys, and may, at the option of the Village Council be used for any of the following purposes:

- (1) Transfer to the Replacement Fund;
- (2) Transfer to the Redemption Fund and used for the prepayment, payment or purchase of Bonds; or
- (3) Used for such purpose or purposes as the Village Council may determine to be for the best interests of the Village, subject to the prior consent of the Government so long as the Government is a Registered Owner of the Series 2005 Bonds. If there should be any deficit in the Operation and Maintenance Fund, Redemption Fund, including the Bond Reserve Account, or the Replacement 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.

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, 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 Village 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 2005 Bonds, the Village Treasurer and all other persons responsible for the handling of Revenues and proceeds of the Series 2005 Bonds shall execute a fidelity bond in the amount required by the Government with a surety company approved by the Government which names the Village 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, except the proceeds of sale of the Series 2005 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 2005 Bonds; Construction Fund and Refunding Fund.

There shall be established and maintained at the Depository two separate accounts designated *FREEPORT WATER SYSTEM CONSTRUCTION FUND (the "Construction Fund") and *FREEPORT WATER SYSTEM NOTE REFUNDING FUND (the "Refunding Fund"). A sufficient portion of the proceeds of the Series 2005 Bonds equal to the mandatory redemption price of the Notes, e.g., the principal amount of the Notes plus accrued interest on the Notes to the mandatory redemption date, after taking in CI account the unexpended proceeds of the Notes, shall be deposited into the Refunding Fund. The balance of the proceeds of the Series 2005 Bonds together with the proceeds of the Village Share Bonds shall be deposited into separate subaccounts in the Construction Fund. The monies on deposit in the Refunding Fund shall be used solely to refund the Notes on a current refunding basis by paying the mandatory redemption price of the Notes. Following the mandatory redemption in full of the Notes, any unexpended balance in the Refunding Fund shall be transferred to the Construction Fund. 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 2005 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 Village a signed statement to the effect that the work has been completed in accordance with the plans and specifications therefore; that it was done pursuant to and in accordance with the contract therefore; that such work is satisfactory; and that such work has not been previously paid for. No proceeds of the Series 2005 Bonds shall be used to fund the Bond Reserve Account.

Proceeds of the Series 2005 Bonds shall be advanced to the Village in installments in accordance with the terms of the Government's loan commitment to the Village. On the date of delivery of the Series 2005 Bonds, the installment delivery for the Series 2005 Bonds shall not be less than five percent of the issue price of said series and the remaining principal balance of the Village Share Bonds shall be advanced before the remaining principal balance of the Series 2005 Bonds shall be advanced to the Village.

Any unexpected balance of the proceeds of sale of the Series 2005 Bonds remaining in the Construction Fund after completion of the Project may in the discretion of the Village Council be used for further improvements, enlargements and extensions to the System it 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 2005 Bonds, the use of any unexpended proceeds of the Series 2005 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 said bonds or purchasing said series of 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 Village Treasurer on behalf of the Village 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. Investment 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 Village 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 Village 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 Village 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 Village will maintain and keep proper books of record and account separate from all other records and accounts of the Village in accordance with applicable law. Not later than six (6) months after the close of each operating year of the System, the Village 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 the Series 2005 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 Village, 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 Village 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 properly damaged or destroyed, and to the extent not so uses, shall be placed in the Redemption Fund and used for the purpose of redeeming or purchasing Bonds on a ratable basis.

D. The Village 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 the Series 2005 Bonds.

E So long as the Government is a Registered Owner of the Series 2005 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 Series2005 Bonds and notwithstanding anything provided to the contrary in this Ordinance, the Village shall comply with all terms and provisions of the Loan Resolution

Section 20. Additional Bonds. The Village may issue Additional Bonds of equal standing with the Series 2005 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 Council 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 Village and the Council, 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 2005 Bonds; Mandatory Redemption of Notes.

A. The Series 2005 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 Village has elected a negotiated sale to the Government instead of a competitive sale to take advantage of the fixed interest rate of 4.50% with respect to the Series 2005 Bonds or lower offered by the Government for the full forty (40) year term of the Series 2005 Bonds. The President, 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 2005 Bonds.

B. The Notes shall be called for mandatory redemption on August 1, 2005, or such day thereafter approved by the Village President, which is not more than sixty (60) days after the date of delivery of the Series 2005 Bonds, subject to delivery of the Series 2005 Bonds, and Hastings City Bank, the Note Registrar for the Notes, is hereby authorized and directed to provide notice of redemption of the Notes in the manner required by the Note Authorizing Resolution adopted by the Village Council on December 8, 2003.

Section 25. Covenant Regarding Tax Exempt Status of the Series 2005 Bonds. The Series 2005 Bonds and the interest if any, on the Series 2005 Bonds shall be exempt from taxation by the State of Michigan or by any taxing authority within the State of Michigan. The Village hereby covenants it shall take all actions necessary to maintain the exemption of the interest on the Series 2005 Bonds from general federal income taxation (as opposed to alternative minimum or other indirect taxation) under the Internal Revenue Code of 1986, as amended (the 'Code'), including but not limited to, actions relating to the rebate of arbitrage earnings and the expenditure and investment of Bond proceeds and moneys deemed to be Bond proceeds. Additionally, the Council hereby designates the Series 2005 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 Village and all subordinate entities to the Village shall not exceed \$10,000,000 during calendar year 2005.

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 Village 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 Village 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 2005 Bonds it shall appear to the Government that the Village is able to refund, upon call for redemption or with consent of the Government the then outstanding Series 2005 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 Village will, upon request of the Government apply for and accept such loan, in sufficient amount to repay the Government.

Section 28. Execution of Series 2005 Bonds. The President and Village Clerk are authorized and directed to execute the Series 2005 Bonds on behalf of the Village in substantially the forms approved with such necessary variations, omissions, corrections and insertions as they deem appropriate and are required for and on behalf of the Village, manually or by facsimile signature for and on behalf of the Village; provided that the Bonds shall be executed by the facsimile signatures of the said President and Village Clerk only if the Bonds are thereafter manually authenticated by the Bond Registrar. Upon execution of the Series 2005 Bonds, the Village Treasurer is hereby authorized and directed to deliver or cause to be delivered the Series 2005 Bonds to the Bond Registrar for authentication and, in turn to the purchaser thereof, upon receipt of the purchase price therefore. The Village Treasurer is authorized to authenticate the Series 2005 Bonds as Bond Registrar. Executed blank Series 2005 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 2005 Bonds in one or more installments.

Section 29. Execution of Closing Documents. The President, Clerk and Treasurer are authorized and directed to execute and deliver on behalf of the Village 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 2005 Bonds.

Section 30. Delivery of Bonds. The Village shall furnish the Series 2005 Bonds ready for execution without expense to the purchaser. The Village shall also furnish without expense to the respective purchaser at the time of delivery of the Series 2005 Bonds, the approving opinion of Mika Meyers Beckett & Jones PLC, Attorneys, Grand Rapids, Michigan, approving the legality of the Series 2005 Bonds. The Series 2005 Bonds will be delivered at the expense of the Village in the manner and at the location as agreed upon with the purchaser thereof.

Section 31. Defeasance of Bonds; No Defeasance of Series 2005 Bonds

A. In the event cash or Government Obligations of the United States, the principal of and interest on which, without reinvestment, come due at times and in amounts sufficient to pay at maturity or such earlier date as a series of the Bonds are subject to redemption in full, the principal of and interest on said series of Bonds shall have been deposited in trust, this Bond Ordinance shall be defeased with respect to said series of Bonds and the owners of said series of Bonds shall have no further rights under this Bond Ordinance except to receive payment of the principal of and interest on said series of Bonds from the cash or securities deposited in trust and the interest and gains thereon and to transfer and exchange said series of Bonds as provided herein.

B. So long as the Government is a Registered Owner of the Series 2005 Bonds, the Series 2005 Bonds shall not be subject to defeasance.

Section 32. Revised Municipal Finance Act. The Village 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(l) of Act 34. In addition, the Village President is hereby authorized and directed to file with the Michigan Department of Treasury an Application for Exemption from the requirements of Section 611(l) of Act 34, if necessary, since a portion of the proceeds of the Bonds will be used to refund the Notes, which are a short-term security issued under Section 413 of Act 34.


Section 33. Conflicting Ordinances. All ordinances, resolutions or orders, or parts thereof, in conflict with the provisions of this Ordinance are repealed.

Section 34. 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 35. Publication and Recordation This Ordinance shall be published in full in The Middleville Sun and News, a newspaper of general circulation in the Village qualified under State law to publish legal notices, promptly after its adoption" and shall be recorded in the Ordinance Book of the Village and such recording authenticated by the signatures of the President and the Village Clerk.

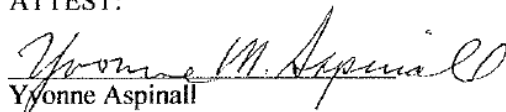
Section 36. Effective Date. In accordance with Act94, this finance shall become effective immediately upon its adoption.

Passed and adopted by the Village Council of the Village of Freeport County of Barry, Michigan, on June 8, 2005, and approved by me on June 8, 2005.



Jerry Misko, President
Village of Freeport

ATTEST:



Yvonne Aspinall
Village Clerk

VILLAGE OF FREEPORT
COUNTY OF BARRY, MICHIGAN

At a special meeting of the Village Council of the Village of Freeport! County of Barry' Michigan, held in the Freeport Village Hall located at 200 South State Street, Freeport Michigan on Wednesday, June 8, 2005, at 7:00 p.m, local time.

PRESENT: Members: Lyle Blough, Sharon Madole, Bruce Stearns, Lani Forbes
Jerry Misko , Dorothy Kelley, and Yvonne Aspinall
ABSENT: Members: Dolores Aspinall' and Renee Wierckz

It was moved by Member Bruce and seconded by Member Lyle that the following Ordinance be adopted under the authority of the Revenue Bond Act of 1933, being Act 94 of the Public Acts of Michigan of 1933, as amended.

ORDINANCE#46

An ORDINANCE TO AUTHORIZE AND PROVIDE FOR THE ISSUANCE OF WATER REVENUE BONDS TO FUND THE COST OF IMPROVEMENTS TO THE FREEPORT WATER SUPPLY AND DISTRIBUTION SYSTEM; AND TO REFUND AND CALL BOND ANTICIPATION NOTES FOR MANDATORY REDEMPTION; TO PROVIDE FOR THE SECURITY OF THE BONDS HEREIN AUTHORIZED; 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: Lyle, Lani, Sharon, Bruce, Jerry
NAYS: Members: None
ABSTAIN: Dolores and Renee

The Village Clerk declared the Ordinance adopted.
The following is Ordinance No. 46 as adopted.

REGISTERED

REGISTERED

EXHIBIT A

FORM OF REGISTERED BOND FOR SERIES 2005
UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF BARRY
VILLAGE OF FREEPORT
WATER REVENUE BONDS
SERIES 2005

No. R-1

Registered Owner: United States of America

Principal Amount: \$ _____

Interest Rate: _____ percent (____ o/o) 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 Village of Freeport County of Barry, State of Michigan (the "Village"), 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 October 1, 2005, and semi-annually on each April 1 and October 1 thereafter from the April 1 or October 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 Freeport Village Treasurer (the Bond Registrar), or such other location as the Village 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 Village 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 Freeport Water Supply and Distribution System (the 'system'), including all appurtenances,