

ORDINANCE NO. 232

AN ORDINANCE TO PROVIDE FOR THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF IMPROVEMENTS TO THE WATER SUPPLY SYSTEM OF THE VILLAGE OF QUINCY; TO PROVIDE FOR THE ISSUANCE AND SALE OF JUNIOR LIEN REVENUE BONDS TO PAY THE COSTS THEREOF; TO PRESCRIBE THE FORM OF THE JUNIOR LIEN REVENUE BONDS; TO PROVIDE FOR THE COLLECTION OF REVENUES FROM THE SYSTEM SUFFICIENT FOR THE PURPOSE OF PAYING THE COSTS OF OPERATION AND MAINTENANCE OF THE SYSTEM AND TO PAY THE PRINCIPAL OF AND INTEREST ON THE JUNIOR LIEN REVENUE BONDS; TO PROVIDE AN ADEQUATE RESERVE ACCOUNT FOR THE JUNIOR LIEN REVENUE BONDS; TO PROVIDE FOR THE SEGREGATION AND DISTRIBUTION OF THE REVENUES; TO PROVIDE FOR THE RIGHTS OF THE HOLDERS OF THE JUNIOR LIEN REVENUE BONDS IN ENFORCEMENT THEREOF; AND TO PROVIDE FOR OTHER MATTERS RELATING TO THE JUNIOR LIEN REVENUE BONDS AND THE SYSTEM.

THE VILLAGE OF QUINCY ORDAINS:

Section 1. Definitions. The following words and terms used in this Ordinance shall have the meanings assigned in this Section, unless the context clearly indicates otherwise.

The word "acquired," as used in this Ordinance, shall be construed to include acquisition by purchase, construction or by any other method.

"Act 94" shall mean Act 94, Public Acts of Michigan, 1933, as amended.

"Additional Bonds" shall mean the bonds issued pursuant to Section 18 and subject to the terms of this Ordinance.

"Bond" or "Bonds" shall mean the WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2018, in the principal amount of not to exceed \$3,266,000 authorized to be issued by this Ordinance.

"Depository Bank" shall mean Century Bank and Trust, Coldwater, Michigan, a member of the Federal Deposit Insurance Corporation, or other financial institution qualified to serve as depository bank and designated by resolution of the Issuer.

"Engineer" shall mean C2AE, Lansing, Michigan.

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

"Government" shall mean the government of the United States of America or any agency thereof.

"Issuer" shall mean the Village of Quincy, County of Branch, State of Michigan.

"Junior Lien Bonds" shall mean the Series 2018 Junior Lien Bond and any additional bonds of equal standing with the Series 2018 Junior Lien Bond, which are secured by a statutory second lien on the Net Revenues and are junior in standing to the Senior Lien Bonds.

"Ordinance" shall mean this ordinance and any ordinance or resolution of the Issuer amendatory or supplemental to this ordinance, including ordinances or resolutions authorizing issuance of Additional Bonds.

"Outstanding Senior Lien Bonds" shall mean the Issuer's Series 2014 Bonds, Series 2017 Bonds, and Series 2018 Bonds.

"Outstanding Ordinances" shall mean the Issuer's Series 2014 Ordinance, Series 2017 Ordinance, and Series 2018 Ordinance.

"Project" shall mean the acquisition, construction, furnishing and equipping of improvements to the Issuer's Water Supply System, including installing a new well, together with any related sites, structures, equipment, appurtenances and attachments.

"Reserve Amount" shall mean with respect to the Bonds the lesser of (1) the maximum annual debt service due on the Bonds in the current or any future year, (2) 125% of the average annual debt service on the Bonds, or (3) 10% of the outstanding principal amount of the Bonds on the date of issuance of the Bonds.

"Revenues" and "Net Revenues" shall mean the revenues and net revenues of the Issuer derived from the operation of the System and shall be construed as defined in Section 3 of Act 94, including with respect to "Revenues," the earnings derived from the investment of moneys in the various funds and accounts established by this Ordinance.

"Senior Lien Bonds" shall mean the Issuer's Outstanding Senior Lien Bonds and any other bonds of the Issuer secured by a statutory first lien on the Net Revenues of the System said lien being superior in standing and priority as to the Junior Lien Bonds.

"Series 2014 Bonds" means the outstanding Water Supply System Revenue Refunding Bonds, dated July 31, 2014, issued pursuant to the Series 2014 Ordinance.

"Series 2014 Ordinance" means Ordinance No. 223 adopted by the Village Council of the Issuer on July 15, 2014, authorizing the issuance of the Series 2014 Bonds.

"Series 2017 Bonds" means the outstanding Water Supply System Revenue Bonds, Series 2017, dated August 31, 2017, issued pursuant to the Series 2017 Ordinance.

"Series 2017 Ordinance" means Ordinance No. 226 adopted by the Village Council of the Issuer on August 15, 2017, authorizing the issuance of the Series 2017 Bonds.

"Series 2018 Bonds" means the Water Supply System Revenue Bonds, Series 2018, dated January 30, 2018, issued pursuant to the Series 2018 Ordinance.

"Series 2018 Ordinance" means Ordinance No. 231 adopted by the Village Council of the Issuer on January 16, 2018, authorizing the issuance of the Series 2018 Bonds.

"Series 2018 Junior Lien Bond" shall mean the WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2018, in the principal amount of not to exceed \$3,266,000 authorized to be issued pursuant to this Ordinance.

"System" shall mean the Issuer's water supply system including such facilities thereof as are now existing, are acquired and constructed as the Project, and all enlargements, extensions, repairs and improvements thereto hereafter made.

"Transfer Agent" shall mean the transfer agent and bond registrar for the Series 2018 Junior Lien Bond as appointed from time to time by the Issuer as provided in Section 6 of this Ordinance and who or which shall carry out the duties and responsibilities as set forth in Sections 6 and 7 of this Ordinance.

Section 2. Necessity; Approval of Plans and Specifications; Conditions of Outstanding Bonds Met. It is hereby determined to be a necessary public purpose of the Issuer to acquire and construct the Project in accordance with the plans and specifications prepared by the Issuer's Engineer and on file with the Issuer, which plans and specifications are hereby approved.

Except as changed by this Ordinance, all the provisions of the Outstanding Ordinances shall apply to the Bonds issued pursuant to this Ordinance, the same as though each of said provisions were repeated in this Ordinance in detail; the purpose of this Ordinance being to authorize the issuance of Junior Lien Bonds to finance the cost of acquiring, constructing and equipping improvements to the System; additional bonds that are junior in standing to the Senior Lien Bonds for such purpose being authorized by the provisions of the Outstanding Ordinances (as amended by this Ordinance), upon the conditions therein stated, which conditions have been fully met.

Section 3. Costs; Useful Life. The total cost of the Project is estimated to be Three Million Two Hundred Sixty-Six Thousand Dollars (\$3,266,000) including the payment of incidental expenses as specified in Section 4 of this Ordinance, which estimate of cost is hereby approved and confirmed, and the period of usefulness of the Project is estimated to be not less than forty (40) years.

Section 4. Payment of Cost; Bonds Authorized. To pay part of the cost of acquiring, constructing and equipping the Project and legal, engineering, financial and other expenses incident to said acquisition and construction, and incident to the issuance and sale of the Series 2018 Junior Lien Bond, it is hereby determined that the Issuer borrow the sum of not to exceed Three Million Two Hundred Sixty-Six Thousand Dollars (\$3,266,000) and that junior lien revenue bonds be issued therefor pursuant to the provisions of Act 94. Any remaining costs of the Project shall be paid from Issuer funds on hand and legally available for such use.

Section 5. Series 2018 Junior Lien Bond Details. The Series 2018 Junior Lien Bond shall

be designated WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2018, shall be dated as of the date of delivery of the first installment, shall consist of one fully-registered nonconvertible bond of the denomination of not to exceed \$3,266,000 and shall be payable in principal installments on March 1 of each year, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2019	\$47,000	2039	\$79,000
2020	48,000	2040	81,000
2021	50,000	2041	83,000
2022	51,000	2042	85,000
2023	52,000	2043	88,000
2024	54,000	2044	90,000
2025	55,000	2045	92,000
2026	56,000	2046	95,000
2027	58,000	2047	97,000
2028	59,000	2048	100,000
2029	61,000	2049	102,000
2030	63,000	2050	105,000
2031	64,000	2051	108,000
2032	66,000	2052	111,000
2033	68,000	2053	114,000
2034	69,000	2054	117,000
2035	71,000	2055	120,000
2036	73,000	2056	123,000
2037	75,000	2057	126,000
2038	77,000	2058	133,000

The Village Manager, President and Village Clerk of the Issuer are each hereby authorized to decrease the aggregate principal amount of the Bonds and/or change the payment dates and the amounts of any of the foregoing installments, including interest payment dates, if it is in the best interest of the Issuer, provided that the final principal payment of the Bond shall be due and payable within forty (40) years of the date of issuance of the Bonds.

The Series 2018 Junior Lien Bond is expected to be delivered to the Government as initial purchaser thereof in installments (the "delivery installments") and each delivery installment shall be noted on the registration grid set forth on the Series 2018 Junior Lien Bond. The delivery installments shall be deemed to correspond to the serial principal installments of the respective Series 2018 Junior Lien Bond in direct chronological order of said principal installments.

The principal installments of the Series 2018 Junior Lien Bond will each bear interest from the date of delivery of the corresponding delivery installment to the registered holder thereof as shown on the registration grid set forth on the respective Series 2018 Junior Lien Bond at the rate of not to exceed two and five-eighths percent (2.625%) per annum, payable on September 1, 2018, and semiannually thereafter on March 1 and September 1 of each year until maturity or earlier prepayment of said installment. Acceptance of the interest rate on the Series 2018 Junior Lien

Bond shall be made by execution of the Series 2018 Junior Lien Bond which so designates the rate specified by the Government and accepted in writing by the Issuer. The Series 2018 Junior Lien Bond shall be issued in fully-registered form and shall not be convertible or exchangeable into more than one fully-registered bond.

The Series 2018 Junior Lien Bond or installments thereof will be subject to prepayment prior to maturity in the manner and at the times as provided in the form of the Series 2018 Junior Lien Bond set forth in Section 9 of this Ordinance.

Section 6. Series 2018 Junior Lien Bond Registration and Transfer. The Transfer Agent shall keep or cause to be kept at its principal office sufficient books for the registration and transfer of the Series 2018 Junior Lien Bond, which shall at all times be open to inspection by the Issuer. The Transfer Agent shall transfer or cause to be transferred on said books the Series 2018 Junior Lien Bond presented for transfer, as hereinafter provided and subject to such reasonable regulations as it may prescribe.

Any Series 2018 Junior Lien Bond may be transferred upon the books required to be kept by the Transfer Agent pursuant to this Section by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series 2018 Junior Lien Bond for transfer, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Transfer Agent. Whenever any Series 2018 Junior Lien Bond shall be surrendered for transfer, the Transfer Agent shall record such transfer on the registration books and shall register such transfer on the registration grid attached to the Series 2018 Junior Lien Bond. At the time of such transfer the Transfer Agent shall note on the Series 2018 Junior Lien Bond the outstanding principal amount thereof at the time of such transfer. The Transfer Agent shall require the payment by the bondholder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer. The Issuer shall not be required (i) to issue, register the transfer of, or exchange any Series 2018 Junior Lien Bond during a period beginning at the opening of business fifteen days before the day of the mailing of a notice of prepayment of Series 2018 Junior Lien Bonds or installments thereof selected for redemption and ending at the close of business on the day of that mailing, or (ii) to register the transfer of or exchange any Series 2018 Junior Lien Bond or portion thereof so selected for prepayment. In the event any Series 2018 Junior Lien Bond are called for prepayment in part, the Transfer Agent, upon surrender of the Series 2018 Junior Lien Bond, shall note on the Series 2018 Junior Lien Bond the principal amount prepaid and shall return the Series 2018 Junior Lien Bond to the registered owner thereof together with the prepayment amount on the prepayment date.

The Issuer's Treasurer is hereby appointed to act as Transfer Agent with respect to the Series 2018 Junior Lien Bond. If and at such time as the Series 2018 Junior Lien Bond is transferred to or held by any registered owner other than the Government, the Issuer by resolution may appoint a bank or trust company qualified under Michigan law to act as transfer agent and bond registrar with respect to Series 2018 Junior Lien Bond, and the Issuer may thereafter appoint a successor Transfer Agent upon sixty (60) days notice to the registered owner of the Series 2018 Junior Lien Bond.

Section 7. Payment of the Series 2018 Junior Lien Bond. Principal of and interest on the Series 2018 Junior Lien Bond shall be payable in lawful money of the United States of America

by check or draft mailed by the Transfer Agent to the registered owner at the address of the registered owner as shown on the registration books of the Issuer kept by the Transfer Agent. If the Government shall no longer be the registered owner of the Series 2018 Junior Lien Bond, then the principal of and interest on the Series 2018 Junior Lien Bond shall be payable to the registered owner of record as of the fifteenth day of the month preceding the payment date by check or draft mailed to the registered owner at the registered address. Such date of determination of the registered owner for purposes of payment of principal or interest may be changed by the Issuer to conform to future market practice. The Issuer's Treasurer is hereby authorized to execute an agreement with any successor Transfer Agent.

The Transfer Agent shall record on the registration books the payment by the Issuer of each installment of principal or interest or both on the Series 2018 Junior Lien Bond when made and the canceled checks or drafts representing such payments shall be returned to and retained by the Issuer's Treasurer, which canceled checks or drafts shall be conclusive evidence of such payments and the obligation of the Issuer with respect to such payments shall be discharged to the extent of such payments.

Upon payment by the Issuer of all outstanding principal of and interest on the Series 2018 Junior Lien Bond, the registered owners thereof shall deliver the Series 2018 Junior Lien Bond to the Issuer for cancellation.

Section 8. Execution and Delivery of the Series 2018 Junior Lien Bond. The Series 2018 Junior Lien Bond shall be manually signed by the President and countersigned by the Village Clerk and shall have the corporate seal of the Issuer impressed thereon. After execution, the Series 2018 Junior Lien Bond shall be held by the Issuer's Treasurer for delivery to the Government. No Series 2018 Junior Lien Bond or any installment thereof shall be valid until registered by the Issuer's Treasurer or by another person designated in writing by the Issuer's Treasurer to act as Bond Registrar, or upon transfer by the Government and thereafter, by an authorized representative of the Transfer Agent.

The Village Manager, President and Village Clerk are each hereby authorized and directed to negotiate privately the sale of the Series 2018 Junior Lien Bond to the Government at an interest rate not to exceed two and five-eighths percent (2.625%) per annum.

The Issuer determines to sell the Bonds to the Government pursuant to a negotiated sale in order to obtain terms not generally available from conventional municipal bond market sources and for the opportunities provided by a negotiated sale to the Government to select and adjust the terms of the Bond, including the prepayment of the principal of the Bonds at any time without premium.

The sale of the Series 2018 Junior Lien Bond to the Government at an interest rate of not to exceed two and five-eighths percent (2.625%) per annum and at the par value thereof is hereby approved. The Issuer's Treasurer is hereby authorized to deliver the Series 2018 Junior Lien Bond in accordance with the delivery instructions of the Government.

Section 9. Series 2018 Junior Lien Bond Form. The form and tenor of the Series 2018 Junior Lien Bond shall be substantially as follows:

REGISTERED

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF BRANCH

VILLAGE OF QUINCY

WATER SUPPLY SYSTEM
JUNIOR LIEN REVENUE BOND, SERIES 2018

No. R-1	\$3,266,000
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The Village of Quincy, County of Branch, State of Michigan (the "Issuer"), for value received, hereby promises to pay to the registered owner hereof, but only out of the hereinafter described Net Revenues of the Issuer's Water Supply System including all appurtenances, additions, extensions and improvements thereto (the "System"), the sum of

Three Million Two Hundred Sixty-Six Thousand Dollars

on the dates and in the principal installment amounts set forth in Exhibit A attached hereto and made a part hereof with interest on said installments from the date each installment is delivered to the Issuer and as set forth on the registration grid hereon until paid at the rate of two and five-eighths percent (2.625%) per annum, first payable on September 1, 2018, and semiannually thereafter; provided that the principal repayments required herein to the registered owner shall not exceed the total of the principal installments set forth on the registration grid attached hereto from time to time hereafter to acknowledge receipt of payment of the purchase price of this bond up to a total of \$3,266,000. Both principal of and interest on this bond are payable in lawful money of the United States of America to the registered owner at the address shown on the Issuer's registration books by check or draft mailed to the registered holder at the address shown on the registration books of the Issuer, and for the prompt payment thereof, the revenues of the System, after provision has been made for reasonable and necessary expenses of operation, administration and maintenance thereof (the "Net Revenues"), are hereby irrevocably pledged and a statutory lien thereon is hereby recognized and created which is junior in standing to the statutory lien created by Ordinance No. 223 adopted by the Issuer on July 15, 2014, authorizing the issuance of the Issuer's Water Supply System Revenue Refunding Bonds, dated July 31, 2014; Ordinance No. 226 adopted by the Issuer on August 15, 2017, authorizing the issuance of the Issuer's Water Supply System Revenue Bonds, Series 2017, dated August 31, 2017; and Ordinance No. 231 adopted by the Issuer on January 16, 2018, authorizing the issuance of the Issuer's Water Supply System Revenue Bonds, Series 2018, dated January 30, 2018 (the "Outstanding Bonds").

This bond is a single, fully-registered, non-convertible bond constituting an issue in the total aggregate principal sum of principal sum of \$3,266,000, issued pursuant to Ordinance No. _____ of the Issuer (the "Ordinance"), and under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 94, Public Acts of Michigan, 1933, as amended, for the purpose of acquiring, constructing and equipping improvements and extensions

to the Issuer's water supply system, together with related sites, structures, equipment and appurtenances to serve the Issuer. 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 or prior standing with this bond and of equal or prior standing with the Outstanding Bonds may hereafter be issued, and the general covenants and provisions pursuant to which this bond is issued, reference is made to the Ordinance.

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

Principal installments of this bond are subject to prepayment prior to maturity, in inverse chronological order, at the Issuer's option, on any date on or after March 1, 2019, at par and accrued interest to the date fixed for prepayment.

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

This bond shall be registered as to principal and interest on the books of the Issuer kept by the Issuer's Treasurer or successor or written designee as bond registrar and transfer agent (the "Transfer Agent") and noted hereon, after which it shall be transferable only upon presentation to the Transfer Agent with a written transfer by the registered owner or his attorney in fact. Such transfer shall be noted hereon and upon the books of the Issuer kept for that purpose by the Transfer Agent.

The Issuer has covenanted and agreed and does hereby covenant and agree to fix and maintain at all times while any bonds including any installments of this bond 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 interest upon and the principal of this bond, the Outstanding Bonds and any additional bonds of equal standing with this bond or the Outstanding Bonds payable from the Net Revenues of the System as and when the same become due and payable, and to create a Junior Lien Redemption Account (including a Junior Lien Bond Reserve Account) therefor, to provide for the payment of expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the same in good repair and working order, and to provide for such other expenditures and funds for the System as are required by the Ordinance.

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

IN WITNESS WHEREOF, the Village of Quincy, County of Branch, State of Michigan, by its Village Council, has caused this bond to be signed in its name by its President and to be countersigned by its Village Clerk, and its corporate seal to be hereunto affixed, all as of _____, 2018.

VILLAGE OF QUINCY
COUNTY OF BRANCH
STATE OF MICHIGAN

By Karen Hargrave
Its President

(Seal)

Countersigned:

By

Terri L. Rygma
Its Village Clerk

REGISTRATION
NOTHING TO BE WRITTEN HEREON EXCEPT
BY THE BOND REGISTRAR/TRANSFER AGENT

Date of Registration of Delivery	Name of Registered Owner	Principal Installment Delivered	Signature of Bond Registrar/ Transfer Agent
	United States of America		

EXHIBIT A

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2019	\$47,000	2039	\$79,000
2020	48,000	2040	81,000
2021	50,000	2041	83,000
2022	51,000	2042	85,000
2023	52,000	2043	88,000
2024	54,000	2044	90,000
2025	55,000	2045	92,000
2026	56,000	2046	95,000
2027	58,000	2047	97,000
2028	59,000	2048	100,000
2029	61,000	2049	102,000
2030	63,000	2050	105,000
2031	64,000	2051	108,000
2032	66,000	2052	111,000
2033	68,000	2053	114,000
2034	69,000	2054	117,000
2035	71,000	2055	120,000
2036	73,000	2056	123,000
2037	75,000	2057	126,000
2038	77,000	2058	133,000

Section 10. Security for Bonds. Neither the Bonds nor the interest thereon shall be a general obligation of the Issuer, but each shall be payable solely from the Net Revenues after provision has been made for the Outstanding Senior Lien Bonds and any additional bonds of equal standing with the Outstanding Senior Lien Bonds. To pay the principal of and interest on the Junior Lien Bonds as and when the same shall become due, there is hereby recognized the statutory lien upon the whole of the Net Revenues of the System after provision has been made for the Senior Lien Bonds, subject only to the prior lien in favor of the Outstanding Senior Lien Bonds and any additional bonds of equal standing with the Outstanding Senior Lien Bonds, which lien shall continue until the payment in full of the principal of and interest on all Junior Lien Bonds. Net Revenues shall be set aside for the purpose and identified as the Junior Lien Redemption Account, as hereinafter specified.

Section 11. Budget. Immediately upon the effective date of this Ordinance for the remainder of the current Fiscal Year, and thereafter prior to the beginning of each Fiscal Year, the Issuer shall prepare an annual budget for the System for the ensuing Fiscal Year itemized on the basis of monthly requirements. A copy of such budget shall be mailed to the Government without request from the Government for review prior to adoption (as long as the Government is the registered owner of any of the Bonds), and upon written request to any other registered owners of the Bonds.

Section 12. Custodian of Funds; Funds. The Issuer's Treasurer shall be custodian of all funds belonging to or associated with the System and such funds shall be deposited in the Depository Bank. The Issuer's Treasurer shall execute a fidelity bond with a surety company in an amount at least equal to the maximum annual debt service for the Bonds.

The Issuer's Treasurer is hereby directed to maintain the funds and accounts established by the Outstanding Ordinances and to create the following funds and accounts into which the proceeds of the Bond and the Revenues from the System shall be deposited in the manner and at the times provided in this Ordinance, which funds and accounts shall be established and maintained, except as otherwise provided, so long the Bond hereby authorized remains unpaid.

(A) CONSTRUCTION ACCOUNT. The proceeds of the Bond hereby authorized, and no other funds, shall be deposited in the 2018 WATER SUPPLY SYSTEM JUNIOR LIEN CONSTRUCTION FUND ACCOUNT (the "Construction Account"), in the Depository Bank. Moneys in the Construction Account shall be used solely for the purposes for which the Bonds are issued.

Any unexpended balance of the proceeds of sale of the Bond remaining after completion of the Project herein authorized may, in the discretion of the Issuer, be used for further improvements, enlargements and extensions to the System, provided that at the time of such expenditure such use be approved by the Department of Treasury (if such approval is then required by law). Any remaining balance after such expenditure shall be paid into the Junior Lien Redemption Account and used as soon as is practical for the prepayment of installments of the Bond or for the purchase of installments to the Bond at not more than the fair market value thereof. Following completion of the Project, any unexpended balance of the Bond shall be invested at a yield not to exceed the yield on the Bond.

After completion of the Project and disposition of remaining proceeds, if any, of the Bond pursuant to the provisions of this Section, the Construction Account shall be closed.

(B) JUNIOR LIEN REDEMPTION ACCOUNT: There is hereby established and there shall be maintained a separate depositary account designated JUNIOR LIEN REDEMPTION ACCOUNT (the "Junior Lien Redemption Account"). Except as otherwise provided herein, the moneys on deposit therein from time to time shall be used for the purpose of paying the principal of, redemption premiums (if any) and interest on any Junior Lien Bonds.

Out of the Revenues remaining in the Receiving Fund, as established by the Outstanding Ordinances, after transfer, if required, for deposit into the Operation and Maintenance Account, as established by the Outstanding Ordinances, and the Outstanding Bonds Redemption Account, as established by the Outstanding Ordinances, there shall be transferred each quarter of the Fiscal Year, commencing July 1, 2018 from the Receiving Fund, before any other expenditures or transfer therefrom, and deposited in the Junior Lien Redemption Account for payment of principal of and interest on the Outstanding Bonds and the Series 2018 Junior Lien Bond and to fund the Junior Lien Bond Reserve Account as required by this Ordinance.

Upon any delivery of an installment of the Bond there shall be set aside at the time of delivery and on the first day of each quarter of the Fiscal Year thereafter to the next interest payment date an amount equal to that fraction of the amount of interest due on the next interest payment date on said installment so delivered, the numerator of which is 1 and the denominator of which is the number of full and partial Fiscal Year quarters from the date of said delivery to the next interest payment date. There shall be set aside each Fiscal Year quarter on or after December 1, 2018, an amount not less than 1/2 of the amount of interest due on the next interest payment date on all outstanding installments of the Bonds not delivered during the then current interest payment period.

Upon any delivery of an installment of the Bonds there shall be set aside at the time of such delivery and on the first day of each quarter of the Fiscal Year thereafter to the next principal payment date an amount equal to that fraction of the amount of principal due on the next principal payment date on said installment so delivered, the numerator of which is 1 and the denominator of which is the number of full and partial Fiscal Year quarters from the date of said delivery to the next principal payment date. There shall also be set aside each Fiscal Year quarter on or after July 1, 2019, an amount not less than 1/4 of the amount of principal due on the next principal payment date. Except as hereinafter provided, no further deposits shall be made into the Junior Lien Redemption Account (excluding the Junior Lien Bond Reserve Account) once the aforesaid sums have been deposited therein. Any amount on deposit in the Junior Lien Redemption Account (excluding the Junior Lien Bond Reserve Account) in excess of (a) the amount needed for payment of principal installments of the Bonds for the then current principal payment period, plus (b) interest on the Bonds for the then current interest payment period, shall be used by the Issuer for redemption of principal installments of the Bonds in the manner set forth in Section 10 hereof, if such use is impracticable, shall be deposited in or credited to the Receiving Fund.

If for any reason there is a failure to make such quarterly deposit in the amounts required, then the entire amount of the deficiency shall be set aside and deposited in the Junior Lien Redemption Account out of the Revenues first received thereafter which are not required by the

Outstanding Ordinances and this Ordinance to be deposited in the Operation and Maintenance Account or in the Outstanding Bonds Redemption Account or in the Junior Lien Redemption Account, which amount shall be in addition to the regular quarterly deposit required during such succeeding quarter or quarters.

There is hereby established and there shall be maintained in the Junior Lien Redemption Account a separate account to be known as the JUNIOR LIEN BOND RESERVE ACCOUNT (the "Junior Lien Bond Reserve Account"). In addition to the amounts required to be deposited into the Bond Reserve Account created under the Outstanding Ordinances, the Junior Lien Bond Reserve Account shall be established as follows: Commencing July 1, 2018, there shall be withdrawn from the Receiving Fund at the beginning of each Fiscal Year quarter and set aside in and transferred to the Junior Lien Bond Reserve Account, after provision has been made for the Operation and Maintenance Fund and the current requirements of the Junior Lien Redemption Account, the sum of \$3,321.25 per quarter (\$13,285.00 annually) until there is accumulated in the Junior Lien Bond Reserve Account the lesser of the sum of \$132,850 or the Reserve Amount. Except as hereinafter provided, no further deposits shall be made into the Junior Lien Bond Reserve Account for the purpose of providing additional reserve funds for the Bonds once the lesser of the sum of \$132,850 or the Reserve Amount has been deposited therein as herein provided. The moneys in the Junior Lien Bond Reserve Account shall be used solely for the payment of the principal installments of and interest on the Outstanding Bonds or the Bonds as to which there would otherwise be default; provided however, that in the event the amount on deposit in the Junior Lien Bond Reserve Account exceeds the Reserve Amount, the moneys in excess of the Reserve Amount shall be used to pay principal installment of and interest on the Bonds on the next payment date.

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

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

The moneys in the Junior Lien Redemption Account and the Junior Lien Bond Reserve Account shall be invested in accordance with the Outstanding Ordinances and Section 14 of this Ordinance, and profit realized or income earned on such investment shall be used or transferred as provided in the Outstanding Ordinances and Section 14 of this Ordinance.

Section 13. Replacement and Improvements Account. The REPLACEMENT AND IMPROVEMENTS ACCOUNT (the "Replacement Account"), as established by the Outstanding Ordinances, shall be increased, commencing July 1, 2018, by withdrawing from the Receiving Fund at the beginning of each Fiscal Year quarter and set aside in and transferred to the Replacement Account, after provision has been made for the Operation and Maintenance Account,

the current requirements of the Outstanding Bonds Redemption Account, the current requirements of the Junior Lien Redemption Account, and the deposits to the Junior Lien Bond Reserve Account, the sum of \$8,188.00 per quarter (\$32,752 annually), less the amount, if any, deposited to the Junior Lien Bond Reserve Account as described in Section 12 at the beginning of the same Fiscal year quarter.

Section 14. Investments. Moneys in the funds and accounts established herein and moneys derived from the proceeds of the sale of the Bonds may be invested by the legislative body of the Issuer on behalf of the Issuer in the obligations and instruments permitted for investment by Section 24 of Act 94, as the same may be amended from time to time; provided, however, that as long as the Bonds are held by the Government, then the investment may be limited to the obligations and instruments authorized by the Government. Investment of moneys in the Junior Lien Redemption Account being accumulated for payment on the next maturing principal or interest payment on the Bonds shall be limited to obligations and instruments bearing maturity dates prior to the date of the next maturing principal or interest payment on the Bonds. Investment of moneys in the Junior Lien Bond Reserve Account shall be limited to Government obligations and instruments bearing maturity dates or subject to redemption, at the option of the holder thereof, not later than five (5) years from the date of the investment. In the event investments are made, any securities representing the same shall be kept on deposit with the Depository Bank. Interest income earned on investment of funds in the Receiving Account, the Operation and Maintenance Account and the Junior Lien Redemption Account (except the Junior Lien Bond Reserve Account), shall be deposited in or credited to the Receiving Account. Interest income earned on the investment of funds in the Junior Lien Bond Reserve Account shall be deposited in the Junior Lien Redemption Account.

Section 15. Rates and Charges. Rates and charges for the services of the System have been fixed by ordinance in an amount sufficient to pay the costs of operating, maintaining and administering the System, to pay the principal of and interest on the Bonds and the Outstanding Bonds and to meet the requirements for repair, replacement, reconstruction and improvement and all other requirements provided herein, and otherwise comply with the covenants herein provided. The Issuer hereby covenants and agrees to fix and maintain at all times while any of the Bonds shall be outstanding such rates for service furnished by the System as shall be sufficient to provide for the foregoing expenses, requirements and covenants, and to create a Junior Lien Redemption Account (including a bond reserve account) for all such Bonds. The rates and charges for all services and facilities rendered by the System shall be reasonable and just, taking into consideration the cost and value of the System and the cost of maintaining, repairing, and operating the same and the amounts necessary for the retirement of all of the Bonds and the Outstanding Bonds, and accruing interest on all of the Bonds and the Outstanding Bonds, and there shall be charged such rates and charges as shall be adequate to meet the requirements of this Section and Sections 12 and 13 of this Ordinance.

Section 16. No Free Service. No free service shall be furnished by the System to any individual, firm or corporation, public or private or to any public agency or instrumentality.

Section 17. Covenants. The Issuer covenants and agrees, so long as any of the Bonds hereby authorized remain unpaid, as follows:

(a) It will comply with applicable State laws and regulations and continually operate and maintain the System in good condition.

(b)(i) It will maintain complete books and records relating to the operation and financial affairs of the System. If the Government is the holder of the Bond, the Government shall have the right to inspect the System and the records, accounts, and data relating thereto at all reasonable times.

(ii) It will cause an annual audit of such books of record and account for the preceding Fiscal Year to be made each year by a recognized independent certified public accountant, and will cause such accountant to mail a copy of such audit to the Government, without request of the Government, or to the manager of the syndicate or account purchasing the Series 2018 Junior Lien Bond. Such audit shall be completed and so made available not later than one hundred eighty (180) days after the close of each Fiscal Year, and said audit may, at the option of the Issuer, be used in lieu of the statement on forms prepared by the Department of Treasury and all purposes for which said forms are required to be used by this Ordinance.

(c) It will maintain and carry, for the benefit of the holders of the Bonds, insurance on all physical properties of the System, of the kinds and in the amounts normally carried by municipalities engaged in the operation of similar systems. The amount of said insurance shall be approved by the Government. All moneys received for losses under any such insurance policies shall be applied solely to the replacement and restoration of the property damaged or destroyed, and to the extent not so used, shall be used for the purpose of calling Bonds.

(d) It will not borrow any money from any source or enter into any contract or agreement to incur any other liabilities that may in any way be a lien upon the Revenues or otherwise encumber the System so as to impair Revenues therefrom, without obtaining the prior written consent of the Government, nor shall it transfer or use any portion of the Revenues derived in the operation of the System for any purpose not herein specifically authorized.

(e) It will not voluntarily dispose of or transfer its title to the System or any part thereof, including lands and interest in land, sale, mortgage, lease or other encumbrances, without obtaining the prior written consent of the Government.

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

Section 18. Additional Bonds. The Issuer may issue additional bonds of equal standing with the Outstanding Senior Lien Bonds and of equal or senior standing with the Series 2018 Junior Lien Bond for the purposes and on the conditions provided for in the Outstanding Ordinances.

Section 19. Ordinance Shall Constitute Contract. The provisions of this Ordinance shall constitute a contract between the Issuer and the bondholders and after the issuance of the Series 2018 Junior Lien Bond this Ordinance shall not be repealed or amended in any respect which will adversely affect the rights and interests of the holders nor shall the Issuer adopt any law, ordinance or resolution in any way adversely affecting the rights or the holders so long as the Series 2018 Junior Lien Bond or interest thereon remains unpaid.

Section 20. Refunding of Series 2018 Junior Lien Bond. If at any time it shall appear to the Government that the Issuer is able to refund upon call for redemption or with consent of the Government the then outstanding Series 2018 Junior Lien Bond by obtaining a loan for such purposes from responsible cooperative or private credit sources at reasonable rates and terms for loans for similar purposes and periods of time, the Issuer will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government, and will take all such actions as may be required in connection with such loans.

Section 21. Default of Issuer. If there shall be default in the Junior Lien Redemption Account, provisions of this Ordinance or in the payment of principal of or interest on any of the Bonds, upon the filing of a suit by 20 percent of the holders of the Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Issuer with power to charge and collect rates sufficient to provide for the payment of the Bonds and for the payment of operation, maintenance and administrative expenses and to apply Revenues in accordance with this Ordinance and the laws of the State of Michigan.

The Issuer hereby agrees to transfer to any bona fide receiver or other subsequent operator of the System, pursuant to any valid court order in a proceeding brought to enforce collection or payment of the Issuer's obligations, all contracts and other rights of the Issuer, conditionally, for such time only as such receiver or operation shall operate by authority of the court.

The holders of 20 percent of the Bonds in the event of default may require by mandatory injunction the raising of rates in a reasonable amount.

Section 22. Ordinance Subject to Michigan Law and Government Regulations. The provisions of this Ordinance is subject to the laws of the State of Michigan and to the present and future regulations of the Government not inconsistent with the express provisions hereof and Michigan law.

Section 23. Fiscal Year of System. The fiscal year for operating the System shall be the Fiscal Year.

Section 24. Issuer Subject to Loan Resolution. So long as the Government is holder of any of the Bonds, the Issuer shall be subject to the loan resolution (RUS Bulletin 1780-27) and shall comply with all provisions thereof.

Section 25. Covenant Not to Defeasance. So long as the Government is the holder of any of the Bonds, the Issuer covenants that it will not defease any of the Bonds held by the Government.

Section 26. Conflict and Severability. All ordinances, resolutions and orders or parts thereof in conflict with the provisions of this Ordinance are to the extent of such conflict hereby repealed, and each section of this Ordinance and each subdivision of any section hereof is hereby declared to be independent, and the finding or holding of any section or subdivision thereof to be invalid or void shall not be deemed or held to affect the validity of any other section or subdivision of this Ordinance.

Section 27. Paragraph Headings. The paragraph headings in this Ordinance are furnished

for convenience of reference only and shall not be considered to be a part of this Ordinance.

Section 28. Publication and Recordation. This Ordinance shall be published in full in the *Coldwater Daily Reporter*, a newspaper of general circulation in the Issuer, qualified under State law to publish legal notices, promptly after its adoption, and the same shall be recorded in the Ordinance Book of the Issuer and such recording authenticated by the signatures of the President and the Village Clerk.

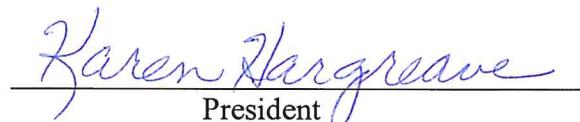
Section 29. Certain Determinations. The Village Manager, President and Village Clerk are hereby authorized to adjust the final bond details set forth herein to the extent necessary or convenient to complete the transactions authorized herein, and in pursuance of the foregoing each is authorized to exercise the authority and make the determinations authorized pursuant to Section 7a(1)(c) 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, the place of delivery and payment, and other matters, *provided* that the aggregate principal amount of Series 2018 Junior Lien Bonds issued hereunder shall not exceed \$3,266,000 and the interest rate on the Series 2018 Junior Lien Bonds shall not exceed two and five-eighths percent (2.625%) per annum. The Village Manager, President and Village Clerk are authorized to confirm the terms of the sale of the Series 2018 Junior Lien Bonds issued hereunder and final bond specifications with respect to such Series 2018 Junior Lien Bonds by the execution of the form of bond and/or an appropriate form or sale order acceptable to bond counsel.

Section 30. Effective Date. This Ordinance is hereby determined by the Village Council to be immediately necessary for the preservation of the peace, health and safety of the Issuer and shall be in full force and effect from and after its passage and publication as required by law.

Passed and adopted by the Village of Quincy, County of Branch, State of Michigan, on March 6, 2018.

(Seal)
Attest:


Olivia Engle
Village Clerk


Karen Hargrave
President

I hereby certify that the foregoing constitutes a true and complete copy of an Ordinance duly adopted by the Village Council of the Village of Quincy, County of Branch, State of Michigan, at a regular meeting held on the 6th day of March, 2018, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.

I further certify that the following Members were present at said meeting: Hargreave, Hagaman, Loomis, Brand, Bassage, Horn and that the following Members were absent: Heffner.

I further certify that Member Hagaman moved adoption of said Ordinance, and that said motion was supported by Member Horn.

I further certify that the following Members voted for adoption of said Ordinance: Hargreave, Hagaman, Loomis, Brand, Bassage, Horn and that the following Members voted against adoption of said Ordinance: N/A.

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



Village Clerk

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