

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF MONTCALM
VILLAGE OF LAKEVIEW
SANITARY SEWER SYSTEM
JUNIOR LIEN REVENUE BOND

No. 1

\$275,000

The Village of Lakeview, County of Montcalm, State of Michigan (the "Village"), for value received, hereby promises to pay to the registered holder hereof, but only out of the hereinafter described Net Revenues of Sanitary Sewer System of the Village, including all appurtenances, additions, extensions and improvements thereto (the "System"), the sum of

TWO HUNDRED SEVENTY-FIVE 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 installments from the date each said installment is delivered to the holder hereof and as set forth on the registration grid hereon until paid at the rate of seven and one-quarter percent (7 $\frac{1}{4}$ %) per annum, payable on July 1, 1986, and semiannually thereafter. Both principal of and interest on this bond are payable in lawful money of the United States of America by check mailed to the registered holder at the address shown on the registration books of the Village and for the prompt payment thereof, the gross revenues of the System, after provision has made for reasonable and necessary expenses of operation, administration and maintenance thereof (the "Net Revenues"), and for the requirements of the outstanding Sanitary Sewer System Revenue Bonds, authorized by Ordinance No. 24, as amended in the original principal amount of \$384,000 (the "Outstanding Bonds"), are hereby irrevocably pledged and a statutory lien thereon is hereby created which is a second lien subject only to the prior lien in favor of the Outstanding Bonds.

This bond is a single, fully-registered, non-convertible bond in the principal sum of \$275,000, issued pursuant to Ordinance No. 54, duly adopted by the Village on August 26, 1985, 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 paying part of the cost for acquiring and constructing additions and improvements to the System. For a complete statement of the revenues from which, and the conditions under which this bond is payable, a statement of the conditions under which additional bonds of equal and prior standing may hereafter be issued, and the general covenants and provisions pursuant to which this bond is issued, reference is made to the above-described Ordinances.

Principal installments of this bond are subject to prepayment prior to maturity, in inverse chronological order, at the option of the Village on any interest payment date on or after January 1, 1987, 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 holder 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 Village kept by the transfer agent and registrar and noted hereon, after which it shall be transferable only upon presentation to such transfer agent and registrar with a written transfer satisfactory to such transfer agent and registrar by the registered holder or his attorney in fact. Such transfer shall be noted hereon and upon the books of the Village kept for that purpose.

This bond may not be converted to or exchanged for a bond with coupons or into any other instrument.

This bond is a self-liquidating bond and is not a general obligation of the Village and does not constitute an indebtedness of the Village within any constitutional or statutory limitation, but is payable, both as to principal and interest, solely from the Net Revenues of the System after provision for the requirement of the Outstanding Bonds.

The Village hereby covenants and agrees to fix and maintain at all times while any installments of this bond 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 all such installments of this bond payable from the Net Revenues of the system as and when the same become due and payable, and to create a bond and interest redemption fund (including a bond reserve account) therefore, to provide for the payment of expenses for 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 above-described Ordinances.

It is hereby certified and recited that all acts, conditions and things required by law 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 LAKEVIEW, County of Montcalm, State of Michigan, by its Village Council, has caused this bond to be signed in the name of said Village by its President and to be countersigned by its Village Clerk, and its corporate seal to be hereunto affixed, all as of August 26, 1985.

VILLAGE OF LAKEVIEW
COUNTY OF MONTCALM
STATE OF MICHIGAN

By Keith Bucholtz, President

(SEAL)

Countersigned:

Carolyn Olsen, Deputy Village Clerk

REGISTRATION
NOTHING TO BE WRITTEN HEREON EXCEPT BY THE REGISTRAR

Date of Registration:	Name of Registered Owner:	Principal Installment Delivered:	Signature Of Registrar:
:	United States of	:	:
:	America Farmers Home	:	:
:	Administration	:	:

EXHIBIT A

Principal Installment Due on January 1	Amount of Principal Installment \$ 1,000
1987	
1988	1,000
1989	1,000
1990	1,000
1991	1,000
1992	2,000
1993	2,000
1994	2,000

1995	2,000
1996	2,000
1997	4,000
1998	4,000
1999	4,000
2000	5,000
2001	5,000
2002	5,000
2003	6,000
2004	6,000
2005	6,000
2006	8,000
2007	8,000
2008	8,000
2009	9,000
2010	9,000
2011	9,000
2012	10,000
2013	10,000
2014	10,000
2015	11,000
2016	11,000
2017	11,000
2018	12,000
2019	12,000
2020	12,000
2021	13,000
2022	13,000
2023	13,000
2024	13,000
2025	13,000

Section 9. Security for Bonds. Neither the Bonds nor the interest thereon shall be a general obligation of the Village but each shall be payable solely from the Net Revenues after provisions has been made for the Outstanding Bonds and any additional bonds of equal standing with the Outstanding Bonds. To pay such principal and interest as and when the same shall become due there is hereby created a statutory lien upon the whole of the Net Revenues of the System after provision for the requirements of the Outstanding Bonds subject only to the prior lien in favor of the Outstanding Bonds and any additional bonds of equal standing with the Outstanding Bonds, to continue with respect to any other Bonds until the payment in full of the principal of and interest on the Bonds.

Section 10. Budget. Prior to the beginning of each Fiscal Year, and immediately upon the effective date of the Ordinance for the remainder of the current Fiscal Year, the Village shall prepare an annual budget of the System for the ensuring Fiscal Year itemized on the basis of monthly requirements, a copy of which shall be mailed without request by the FmHA to the FmHA (if and as long as the Government is holder of any of the Bonds) for review prior to adoption, and upon written request to any other holders of the Bonds.

Section 11. Remedies. The holder of the Bonds may, by suit, action, or other proceedings, protect and enforce the statutory lien established by the Ordinance and enforce and compel the performance of all duties of the officials of the Village, including, but not limited to, compelling

the Village by proceedings in a court of competent jurisdiction or other appropriate forum to establish and maintain the rates and charges and to perform the other obligations of the Village set forth in the Ordinance. Section 12. Custodian of Funds; Funds. The Village Treasurer shall be custodian of all funds belonging to or associated with the System. Such funds shall be deposited in the Depository Bank. The Village Treasurer shall execute a fidelity bond in an amount not less than \$100,000 with a surety company licensed to conduct business in the State of Michigan and approved by the FmHA, and the Village shall be named as co-obligees in such bond and the amount thereof shall not be reduced without the prior written consent of the FmHA: The Village Treasurer is hereby directed to create the following funds and accounts into which the proceeds of the Bonds and the Revenues shall be deposited in the manner and at the times provided in the Ordinance, which accounts shall be established and maintained, except as otherwise provided, so long as any of the Bonds remain unpaid, except as otherwise provided in the Ordinance.

A. CONSTRUCTION FUND. The proceeds of the Junior Lien Bond shall be deposited in the VILLAGE OF LAKEVIEW SANITARY SEWER SYSTEM JUNIOR LIEN CONSTRUCTION FUND (the "Construction Fund") in the Depository Bank. In the event the Government is a holder of the Junior Lien Bond, then at the direction of the FmHA the Construction Fund shall be established as a supervised bank account and such proceeds shall be withdrawn on the orders of the Village only on checks signed by the Village Treasurer and countersigned by the District Director of the FmHA. Said moneys shall be used solely for the purposes for which the Junior Lien Bond was issued.

Any unexpended balance of the proceeds of the sale of the Junior Lien Bond remaining after completion of the Project herein authorized may be used for further improvements, enlargements and extensions of the System in the discretion of the Village, provided that at the time of such expenditure such use be approved by the Michigan 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 Fund (as hereinafter provided) and shall be credited to the Junior Lien Bond Reserve Account or used for the prepayment of installments of the Junior Lien Bond.

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

B. SANITARY SEWER SYSTEM FUND ACCOUNT. Pursuant to Section 6(B) of Ordinance No. 24, as amended, the Revenues of the System shall continue to be deposited in the Sanitary Sewer System Fund Account established by Ordinance No. 24, as amended (the "Fund Account"), and as of September 1, 1985, the moneys, so deposited therein shall be transferred, expended and used only in the manner and order as follows:

(1) Operation and Maintenance Account. There shall first be withdrawn from the Fund Account quarterly (on March 1, June 1, September 1 and December 1) and set aside in and transferred to the Operation and Maintenance Account established by Section 6(B) (1) of Ordinance No. 24, as amended, an amount sufficient to meet the requirements relative to the Operation and Maintenance Account, which amount shall be sufficient to pay reasonable and necessary current expenses for the ensuing quarter of administering, operation and maintaining the System, including the Project.

(2) Outstanding Bond Requirements. There shall next be withdrawn (on the aforesaid dates) from the Fund Account quarterly and set aside in

and transferred to the Bond and Interest Redemption Fund established by Section (B) (2) of Ordinance No. 24, as amended, Revenues in an amount equal to $\frac{1}{2}$ of the amount of interest due on the next interest payment date and an amount equal to $\frac{1}{4}$ of the amount of principal due on the next succeeding July 1st.

(3) Junior Lien Revenue Bond - Bond and Interest Redemption Fund. There is hereby established a separate account known as the JUNIOR LIEN REVENUE BOND - BOND AND INTEREST REDEMPTION FUND (the "Junior Lien Redemption Fund"). After the transfers required in (1) and (2) above, Revenues shall be withdrawn quarterly (except as otherwise provided in this paragraph) from the Fund Account, before any other expenditures or transfers there from, and set aside in and transferred to the Junior Lien Redemption Fund for payment of principal and interest on the Junior Lien Bond and to fund the Junior Lien Bond Reserve Account hereinafter established. Upon any delivery of an installment of the Junior Lien Bond 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 interest payment date an 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 quarters from the date of said delivery to the next interest payment date. There shall also be set aside each quarter of the Fiscal Year an amount not less than $\frac{1}{2}$ of the amount of interest due on the next interest payment date on all outstanding installments of the Junior Lien Bond not delivered during the then current interest payment period. There shall also be set aside at the time of the delivery of the initial installment of the Junior Lien Bond 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 principal of the Junior Lien Bond due on the next principal payment date, the numerator of which is 1 and the denominator of which is the number of full and partial quarters of the Fiscal Year from the date of said delivery to the next principal payment date. Commencing on the first day of the Fiscal Year next succeeding the Fiscal Year in which the first installment is delivered there shall be set aside each quarter of the Fiscal Year an amount not less than $\frac{1}{4}$ of the amount of the principal installment of the Junior Lien Bond due on the next principal payment date.

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 Fund out of the Revenues first received thereafter which are not required by this Ordinance or Ordinance No. 24, as amended, to be deposited in the Operation and Maintenance Account or in the Bond and Interest Redemption Fund, which amount shall be in addition to the regular quarterly deposit required during such succeeding quarter or quarters.

There is hereby established in the Junior Lien Redemption Fund a separate account known as the JUNIOR LIEN BOND RESERVE ACCOUNT (the "Junior Lien Bond Reserve Account"). Commencing March 1, 1986, there shall be withdrawn from the Fund Account quarterly and set aside in and transferred to the Junior Lien Bond Reserve Account the sum of at least \$537.50 per quarter until there is accumulated in such fund the sum of \$21,500.00, after provision for the current requirements of the Junior Lien Redemption Fund. Except as hereinafter provided, no further deposits need be made into the Junior Lien Redemption Fund for credit to the Junior Lien Bond Reserve Account once the sum of \$21,500.00 has been credited

thereto. Except as hereinafter provided, moneys in the Junior Lien Bond Reserve Account shall be used solely for the payment of the principal of and interest on Junior Lien Bonds as to which there would otherwise be default.

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

No further payments need be made into the Junior Lien Redemption Fund after enough of the Junior Lien Bonds have been retired so that the amount then held in the Junior Lien Redemption Fund (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 the Junior Lien Bonds then outstanding.

Any amount on deposit in the Junior Lien Redemption Fund in excess of the requirements for paying principal of and interest on Junior Lien Bonds due during the ensuing eighteen months, plus the requirements of the Junior Line Bond Reserve Account, may be used by the Village for redemption of Junior Lien Bonds in the manner set forth in Section 8 hereof.

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

(4) General Purpose Account. The balance of Revenues in the Receiving Fund shall be set aside in and transferred to the General Purpose Account established by Section 6 (B) (3) of Ordinance No. 24, as amended, and used for the purpose specified therein.

Section 13. Reverse Flow of Funds; Surplus Moneys. In the event the moneys in the Fund Account are insufficient to provide for the current requirements of the Operation and Maintenance Account, the Bond and Interest Redemption Fund, the Junior Lien Redemption Fund, the Junior Lien Redemption Fund (including the Junior Lien Bond Reserve Account), or the General Purpose Account, any moneys and/or securities in the funds of the System established by this Ordinance shall be transferred , first, to the Operation and Maintenance Account, and second, to the Bond and Interest Redemption Fund, and third, to the Junior Lien Redemption Fund (including the Junior Lien Reserve Account), and fourth, to the General Purpose Account.

Section 14. Investments. Moneys in the funds and accounts established herein and moneys derived from the proceeds of sale of the Bonds may be invested by the Village Council on behalf of the Village in Government obligations or obligations the principal of and interest on which is fully guaranteed by the United States of America, or certificates of deposit of a bank insured by the Federal Deposit Insurance Corporation. Investment of moneys in the Junior Lien 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 on the Bonds. Investment of moneys in the Junior Lien Bond Reserve Account shall be limited to Government obligations bearing

maturity dates, or subject to redemption at the option of the holder thereof, not later than five years from the date of investment.

Securities representing investments shall be kept on deposit with the Depository Bank. Profit realized or interest income earned on investment of funds in the Junior Lien Redemption fund and, at any deposited in or credited to the Receiving Fund.

Moneys in any other fund or account of the System shall be invested as provided herein.

Section 15. Rates and Charges. Rates and charges for the services of the System have been fixed pursuant to Section 1 of Ordinance No. 28, as said Ordinance has been amended from time to time, including Ordinance No.

55, in an amount sufficient to pay the expenses of administration, operation and maintenance of the System, to pay the principal and interest requirements and comply with the covenants provided by Ordinance No. 24, as amended and herein. The Village hereby covenants and agrees to fix and maintain at all times while any of the Outstanding Bonds and 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 bond and interest redemption fund (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 costs and value of said System and the cost of maintaining, repairing, and operating the same and the amounts necessary for the retirement of all bonds payable from Revenues and accruing interest on such bonds.

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 Village covenants and agrees that so long as any of the Bonds hereby authorized remain unpaid as follows:

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

II. It will comply with provisions and covenants of Ordinance No. 24, as amended, and this Ordinance.

III. (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 any of the Bonds, the FmHA 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, or will prepare a report for such purpose in forms prepared by the Department of Treasury of the State of Michigan, and will mail a copy of such audit or report to the FmHA, or to the manager of the syndicate or account purchasing the Bonds, and the Department of Treasury. Such audit shall be completed and so made available not later than three (3) months after the close of each Fiscal Year.

I. The Village 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. All

moneys received for losses under the operation of similar systems.

All moneys received for losses under any such insurance policies shall be applied 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. If the Government is a holder of any of the Bonds, then said insurance shall be in amounts not less than such amounts as may be specified by LETTER OF INTENT TO MEET CONDITIONS, Form FmHA 442. 46 and shall be approved by the FmHA.

II. 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 open the Revenues or otherwise encumber the System so as to impair Revenues therefrom, without obtaining the prior written consent of the FmHA (if the Government is a holder of any of the Bonds), nor shall it transfer or use any portion of the Revenues derived in the operating of the System for any purpose not herein specifically authorized.

III. It will not voluntarily dispose of or transfer its title to the System or any part thereof, including lands and interests in lands, by sale, mortgage, lease or other encumbrances, without obtaining the prior written consent of the FmHA if it is a holder of any of the Bonds.

IV. Any extensions or improvements of the system shall be made according to sound engineering principles and plans and specifications shall be submitted to the FmHA (if the Government is the holder of any of the Bonds) for prior review.

Section 18. Additional Bonds. The Village may issue additional bonds of prior standing to the Bonds authorized in this Ordinance under the terms and conditions set forth in Ordinance 24, as amended. The Village may issue additional bonds of equal, but not prior, standing with the Bonds for any of the following purposes:

I. To complete construction of the Project according to the plans set forth in Section 2, in the amount necessary therefore; or

II. For the purpose of making reasonable repairs, replacements, improvements, enlargements or extensions of the System; or

III. To refund any Outstanding Bonds.

Additional Bonds may be issued only if the FmHA, if the Government is then the holder of any of the Bonds, consents to such issue in writing; and unless the FmHA holds all of the Bonds, the Augmented Net Revenues (as hereinafter defined) of the System were 120 percent of the average annual debt service requirements on all Bonds then outstanding and those

Additional Bonds proposed to be issued, net of any Bonds to be refunded by the Additional Bonds.

For the purposes of this Section the term "Augmented Net Revenues" shall mean the Net Revenues of the System for the Fiscal Year preceding the Fiscal Year in which the additional Bonds are to be issued, adjusted to reflect the effect of any increase in sales and charges (a) placed in effect during said Fiscal year (but not in effect for the whole Fiscal Year), (b) placed in effect subsequent to said Fiscal Year, or (c) scheduled, at the time the proposed Additional Bonds are authorized, to be placed in effect before principal of an interest on the proposed Additional Bonds become payable from Revenues, and augmented by any increase in Revenues or decrease in expenses estimated to accrue from the repairs, improvements, enlargements or extensions to be acquired from the proceeds of the proposed Additional Bonds. Such adjustments and augmentations shall be established by certificate of an independent consulting engineer filed with the Village Clerk. If Additional Bonds are to be issued within four months subsequent to the start of a Fiscal Year