CITY OF FARMINGTON

ORDINANCE NO. C-654-99

AN ORDINANCE TO PROVIDE FOR THE CREATION OF A COMMUNITY THEATRE ENTERPRISE SYSTEM FOR THE CITY; FOR THE ACQUISITION, CONSTRUCTION, INSTALLATION, FURNISHING AND EQUIPPING OF ADDITIONS AND IMPROVEMENTS TO THE SYSTEM; TO PROVIDE FOR THE ISSUANCE AND SALE OF REVENUE BONDS TO PAY THE COST THEREOF; 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 BONDS; TO PROVIDE AN ADEQUATE RESERVE FUND FOR THE BONDS; TO PROVIDE FOR THE SEGREGATION AND DISTRIBUTION OF SYSTEM REVENUES; TO PROVIDE FOR THE RIGHTS OF THE HOLDERS OF THE BONDS IN ENFORCEMENT THEREOF; TO ESTABLISH SEPARATE SERIES OF BONDS OF SENIOR AND SUBORDINATE STATUS WITH RESPECT TO THE NET REVENUES OF THE SYSTEM; TO PRESCRIBE THE FORM OF THE BONDS; AND TO PROVIDE FOR OTHER MATTERS RELATING TO THE BONDS AND THE SYSTEM.

THE CITY OF FARMINGTON ORDAINS:

Section 1. Title and Purpose. This Ordinance shall be known and cited as the "City of Farmington Community Theatre Revenue Bond Ordinance." Pursuant to the authority granted under the provisions of Act 94 (hereinafter defined), the Code of the City of Farmington is hereby amended by adding this Ordinance.

Section 2. 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," Public Acts of Michigan, 1933, as amended, known and cited as the Revenue Bond Act.

(b) "Adjusted Net Revenues" means for any operating year the excess of revenues over expenses for the System determined in accordance with generally accepted accounting principles, to which shall be added depreciation, amortization, interest expense on Bonds and payments to the Issuer in lieu of taxes, to which may be made the following adjustments.

(i) Revenues may be augmented by the amount of any rate increases adopted prior to the issuance of additional Bonds or to be placed into effect before the time principal or interest on the additional Bonds becomes payable from Revenues as applied to quantities of service furnished during the operating year or portion thereof that the increased rates were not in effect.

(ii) Revenues may be augmented by amounts which may be derived from rates and charges to be paid by new customers of the System.

The adjustment of revenues and expenses by the factors set forth in (i) and (ii) above shall be reported upon by professional engineers or certified public accountants or other experts not in the regular employment of the Issuer.

(c) "Authority" means the Michigan Municipal Bond Authority.

(d) "Authorized Officers" means the City Manager and City Clerk of the Issuer.

(e) "Bonds" or "Senior Lien Bonds" means any Bonds or series of Bonds so designated and payable from Net Revenues deposited in the Redemption Fund, which are secured by a statutory first lien on the Net Revenues established by this Ordinance and which are senior and superior in all respects with respect to the Net Revenues to any Junior Lien Bonds secured by the statutory second lien established by this Ordinance, together with any additional Bonds of equal standing thereafter issued.

(f) "Issuer" means the City of Farmington, County of Oakland, State of Michigan.

(g) "Junior Lien Bonds" means any Bonds or series of Bonds (including the Series 1999 Bonds) payable from Net Revenues deposited in the Junior Lien Redemption Fund, after satisfaction of any requirements for funding the Redemption Fund, and which are secured by a statutory second lien on the Net Revenues and are junior and subordinate in all respects with respect to the Net Revenues to any Bonds hereafter issued secured by the statutory first lien established by this Ordinance.

(h) "Project" means the acquisition and construction, renovation and restoration of a community theatre in downtown Farmington together with appurtenances and attachments thereto, as described generally in the preliminary plans on file with the Issuer as the same are updated from time to time by the preparation of definitive plans and specifications therefore.

(i) "Reserve Requirement" means the amount required to be on deposit in the Bond Reserve Account or the Junior Lien Bond Reserve Account with respect to a series of Bonds or Junior Lien Bonds, which may not exceed the lesser of (1) the maximum annual debt service due on the Bonds or the Junior Lien Bonds in any year, (2) 125% of the average annual debt service on the Bonds or the Junior Lien Bonds, or (3) 10% of the principal amount of the Bonds or Junior Lien Bonds.

(j) "Revenues" and "Net Revenues" mean the revenues and net revenues 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.

(k) "Series 1999 Bonds" means the Community Theatre Revenue Bonds (Junior Lien), Series 1999 (Limited Tax General Obligation), of the Issuer in the principal amount of not to exceed $690,000 authorized by this Ordinance.

(l) "Sufficient Government Obligations" means direct obligations of the United States of America or obligations the principal and interest on which is fully guaranteed by the United States of America, not redeemable at the option of the issuer, the principal and interest payments upon which, without reinvestment of the interest, come due at such times and in such amounts as to be fully sufficient to pay the interest as it comes due on the Bonds and the principal and redemption premium, if any, on the Bonds as it comes due whether on the stated maturity date or upon earlier redemption. Securities representing such obligations shall be placed in trust with a bank or trust company, and if any of the Bonds are to be called for redemption prior to maturity, irrevocable instructions to call the Bonds for redemption shall be given to the paying agent.

(m) "System" means the Community Theatre System of the Issuer created and established by this Ordinance, including such facilities thereof as are acquired and constructed as the Project, and all enlargements, extensions, repairs and improvements thereto hereafter made.

Section 3. Creation of System; Necessity; Approval of Plans and Specifications. It is hereby determined to be a necessary public purpose of the Issuer and in the best interest of the health and welfare of the Issuer's residents to create and establish a Community Theatre System as an enterprise system of the Issuer, and such Community Theatre System is hereby created and established. It is further determined to be a necessary public purpose of the Issuer to acquire and construct the Project in accordance with the preliminary plans and specifications on file with the Issuer, which plans and specifications are hereby approved.

Section 4. Costs; Useful Life. The total cost of the Project is estimated to not exceed Six Hundred Ninety Thousand Dollars ($690,000) including the payment of incidental expenses as specified in Section 5 of this Ordinance, which estimate of cost is hereby approved and confirmed, and the period of usefulness of the Project is estimated to be twenty (20) years.

Section 5. Payment of Cost; Bonds Authorized. To pay part of the cost of acquiring and constructing a part of the Project, including funding all or a part of a bond reserve (if necessary), legal, engineering, financial and other expenses incident thereto and incident to the issuance and sale of the Series 1999 Bonds, the Issuer shall borrow the sum of not to exceed Six Hundred Ninety Thousand Dollars ($690,000) and issue the Series 1999 Bonds therefore pursuant to the provisions of Act 94. The remaining cost of the Project shall be defrayed from the proceeds of the sale of Bonds and Junior Lien Bonds to be issued in the future, from federal and State grants received and to be received (if any), from contributions to the Issuer, and from Issuer funds on hand and legally available for such use.

Section 6. Issuance of Series 1999 Bonds; Details. The Series 1999 Bonds of the Issuer, to be designated **COMMUNITY THEATRE REVENUE BONDS (JUNIOR LIEN), SERIES 1999 (LIMITED TAX GENERAL OBLIGATION)**, are authorized to be issued in the aggregate principal sum of not to exceed Six Hundred Ninety Thousand Dollars ($690,000) as finally determined by execution of the Purchase Contract (hereinafter defined) for the purpose of paying part of the cost of the Project, including the costs incidental to the issuance, sale and delivery of the Series 1999 Bonds. The Series 1999 Bonds shall be payable out of the Net Revenues, as set forth more fully in Section 9 hereof, provided that said Series 1999 Bonds shall be junior and subordinate to the prior lien with respect to the Net Revenues of any Bonds hereafter issued pursuant to this Ordinance. The Series 1999 Bonds shall be in the form of a single fully-registered, nonconvertible bond of the denomination of the full principal amount thereof, dated as of the date of delivery of the Series 1999 Bond, payable in not to exceed twenty (20) principal installments serially as finally determined in the Purchase Contract at the time of sale of the Series 1999 Bonds and approved by the Authority and an Authorized Officer. Final determination of the Principal Amount and the payment dates and amounts of principal installments of the Series 1999 Bonds shall be evidenced by execution of a Purchase Contract (the "Purchase Contract") between the Issuer and the Authority providing for sale of the Series 1999 Bonds, and the Authorized Officers are authorized and directed to execute and deliver the Purchase Contract when it is in final form and to make the determinations set forth above. In the event the Series 1999 Bonds are sold as Bonds rather than Junior Lien Bonds, or if the Series 1999 Bonds are sold without the Issuer's pledge of its limited tax full faith and credit for the payment thereof, or both, the City Manager may revise the designation of the Series 1999 Bonds set forth above as necessary to fairly characterize the Series 1999 Bonds.

The Series 1999 Bonds or principal installments thereof will be subject to prepayment prior to maturity in the manner and at the times as provided in the form of Series 1999 Bond contained in this Ordinance or as may be approved by the Authorized Officers at the time of sale of the Series 1999 Bonds or by the Authority at the time of prepayment.

The Series 1999 Bonds shall bear interest at a rate to be finally determined by execution of the Purchase Contract, but in any event not to exceed eight percent (8%), and the Authorized Officers shall deliver the Series 1999 Bond in accordance with the delivery instructions of the Authority.

The Series 1999 Bond shall not be convertible or exchangeable into more than one fully-registered bond. Principal of and interest on the Series 1999 Bond shall be payable as provided in the Series 1999 Bond form in this Ordinance.

The City Clerk shall record on the registration books payment by the Issuer of each installment of principal or interest or both when made and the cancelled checks or other records evidencing such payments shall be returned to and retained by the City Clerk.

Upon payment by the Issuer of all outstanding principal of and interest on the Series 1999 Bond, the Authority shall deliver the Series 1999 Bond to the Issuer for cancellation.

Section 7. Execution of Series 1999 Bonds. The Series 1999 Bonds shall be signed by the manual or facsimile signature of the Mayor and countersigned by the manual or facsimile signature of the City Clerk and shall have the corporate seal of the Issuer or a facsimile thereof impressed or imprinted thereon. Except for Series 1999 Bonds bearing manual signatures of the Mayor and the City Clerk sold to the Authority, the Series 1999 Bonds shall be delivered to the transfer agent for authentication and thereafter be delivered by the transfer agent to the purchaser thereof in accordance with instructions from the City Manager or any deputy upon payment of the purchase price for the Bonds in accordance with the bid therefor when accepted. Series 1999 Bonds bearing manual signatures of the Mayor and City Clerk sold to the Authority shall require no further authentication. Executed blank bonds for registration and issuance to transferees shall simultaneously, and from time to time thereafter as necessary, be delivered to the transfer agent for safekeeping.

Section 8. Registration and Transfer. Any Bond or Junior Lein Bond may be transferred upon the books required to be kept pursuant to this section by the person in whose name it is registered, in person or by the registered owner's duly authorized attorney, upon surrender of the Bond or Junior Lien Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the transfer agent. Whenever any Bond(s) or Junior Lien Bond(s) shall be surrendered for transfer, the Issuer shall execute and the transfer agent shall authenticate and deliver a new Bond or Junior Lien Bond, for like aggregate principal amount. The transfer agent shall require payment by the bondholder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer. The Transfer Agent shall not be required (i) to issue, register the transfer of or exchange any Bond or Junior Lien Bond during a period beginning at the opening of business 15 days before the day of the giving of a notice of redemption of Bonds or Junior Lien Bonds selected for redemption and ending at the close of business on the day of that giving of notice, or (ii) to register the transfer of or exchange any Bond or Junior Lien Bond so selected for redemption in whole or in part, except the unredeemed portion of Bonds or Junior Lien Bonds being redeemed in part. The Issuer shall give the transfer agent notice of call for redemption at least 20 days prior to the date notice of redemption is to be given.

The transfer agent shall keep or cause to be kept, at its principal office, sufficient books for the registration and transfer of the Bonds or Junior Lien Bonds, which shall at all times be open to inspection by the Issuer; and, upon presentation for such purpose, the transfer agent shall, under such reasonable regulations as it may prescribe, transfer or cause to be transferred, on said books, Bonds or Junior Lien Bonds as hereinbefore provided.

If any Bond or Junior Lien Bond shall become mutilated, the Issuer, at the expense of the holder of the Bond or Junior Lien Bond shall execute, and the transfer agent shall authenticate and deliver, a new Bond or Junior Lien Bond of like tenor in exchange and substitution for the mutilated Bond or Junior Lien Bond, upon surrender to the transfer agent of the mutilated Bond or Junior Lien Bond. If any Bond or Junior Lien Bond issued under this Ordinance shall be lost, destroyed or stolen, evidence of the loss, destruction or theft may be submitted to the transfer agent and, if this evidence is satisfactory to both and indemnity satisfactory to the transfer agent shall be given, and if all requirements of any applicable law including Act 354, Public Acts of Michigan, 1972, as amended ("Act 354"), being sections 129.131 to 129.135, inclusive, of the Michigan Compiled Laws have been met, the Issuer, at the expense of the owner, shall execute, and the transfer agent shall thereupon authenticate and deliver, a new Bond or Junior Lien Bond of like tenor and bearing the statement required by Act 354, or any applicable law hereafter enacted, in lieu of and in substitution for the Bond or Junior Lien Bond so lost, destroyed or stolen. If any such Bond or Junior Lien Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond or Junior Lien Bond the transfer agent may pay the same without surrender thereof.

Section 9. Payment of Bonds and Junior Lien Bonds; Security; Priority of Lien. Any Bonds hereafter issued and the interest thereon shall be payable solely from the Net Revenues, and to secure such payment, there is hereby created a statutory lien upon the whole of the Net Revenues which shall be a first lien to continue until payment in full of the principal of an interest on all Bonds payable from the Net Revenues, or, until sufficient cash or Sufficient Government Obligations have been deposited in trust for payment in full of all Bonds of a series then outstanding, principal and interest on such Bonds to maturity, or, if called for redemption, to the date fixed for redemption together with the amount of the redemption premium, if any.

Any Junior Lien Bonds issued hereunder, including the Series 1999 Bonds, and the interest thereon shall be payable primarily from the Net Revenues, and to secure such payment, there is hereby created a statutory lien upon the whole of the Net Revenues which shall be a second lien, subject only to the statutory first lien established with respect to the Bonds, to continue until payment in full of the principal of and interest on all Junior Lien Bonds payable from the Net Revenues, or, until sufficient cash or Sufficient Government Obligations have been deposited in trust for payment in full of all Junior Lien Bonds of a series then outstanding, principal and interest on such Junior Lien Bonds to maturity, or, if called for redemption, to the date fixed for redemption together with the amount of the redemption premium, if any. The statutory lien on the Net Revenues created with respect to the Junior Lien Bonds (including the Series 1999 Bonds) shall at all times be and remain subordinate and inferior to the pledge of Net Revenues and the statutory first lien thereon authorized to be granted to secure any Bonds hereafter issued, and the Junior Lien Bonds shall carry a legend to that effect.

Upon deposit of cash or Sufficient Government Obligations, as provided in the previous sentences, the statutory lien shall be terminated with respect to that series of Bonds or Junior Lien Bonds, the holders of that series shall have no further rights under this Ordinance except for payment from the deposited funds, and the Bonds or Junior Lien Bonds of that series shall no longer be considered to be outstanding under this Ordinance.

In addition, the Series 1999 Bonds being sold to the Authority, the Issuer hereby pledges its limited tax full faith and credit for the payment of the principal of and interest on the Series 1999 Bonds. Should the Net Revenues of the System at any time be insufficient to pay principal and interest on the Series 1999 Bonds, as the same become due, then the Issuer shall advance from any funds available therefor, or, if necessary, levy taxes upon all taxable property in the Issuer, subject to applicable constitutional, statutory and charter limitations, such sums as may be necessary to pay said principal and interest. The Issuer shall be reimbursed for any such advance from the Net Revenues of the System subsequently received which are not otherwise pledged or encumbered by this Ordinance.

Section 10. Bondholders' Rights; Receiver. The holder or holders of the Bonds or Junior Lien Bonds representing in the aggregate not less than twenty percent (20%) of the entire principal amount thereof then outstanding, may, by suit, action, mandamus or other proceedings, protect and enforce the statutory lien upon the Net Revenues of the System, and may, by suit, action, mandamus or other proceedings, enforce and compel performance of all duties of the officers of the Issuer, including the fixing of sufficient rates, the collection of Revenues, the proper segregation of the Revenues of the System and the proper application thereof. The statutory lien upon the Net Revenues, however, shall not be construed as to compel the sale of the System or any part thereof.

If there is a default in the payment of the principal of or interest on the Bonds or the Junior Lien Bonds, any court having jurisdiction in any proper action may appoint a receiver to administer and operate the System on behalf of the Issuer and under the direction of the court, and by and with the approval of the court to perform all of the duties of the officers of the Issuer more particularly set forth herein and in Act 94.

The holder or holders of the Bonds and the Junior Lien Bonds shall have all other rights and remedies given by Act 94 and law, for the payment and enforcement of the Bonds and the Junior Lien Bonds and the security therefor.

Section 11. Management; Fiscal Year. The operation, repair and management of the System and the acquisition and construction of the Project shall be under the supervision and contrpl of the Issuer as determined by the City Manager, provided that the Issuer may contract with third parties for the operation, repair and management of the System. The City Council, in accordance with the relevant provisions of the City Charter and Code, may employ such person or persons in such capacity, or as it deems advisable to carry on the efficient management and operation of the System. The City Council may make such rules and regulations as it deems advisable and necessary to assure the efficient management and operation of the System. The fiscal year of the System shall be the fiscal year of the Issuer.

Section 12. Rates and Charges. Not later than the date of substantial completion of the Project, the rates and charges for service furnished by and the use of the System shall be established by the Issuer so as to comply with the requirements of Section 14 hereof, and the methods of collection and enforcement of the collection of the rates shall be any methods available under Act 94 as presently in effect and hereafter amended.

Section 13. No Free Service or Use. No free service or use of the System, or service or use of the System at less than cost, shall be furnished by the System, to any person, firm or corporation, public or private, or to any public agency or instrumentality, including the Issuer.

Section 14. Fixing and Revising Rates; Rate Covenant. The rates for use of the System shall be established by resolution of the Issuer so as at all times 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, to provide for the payment of the principal of and interest on the Bonds and the Junior Lien Bonds as the same become due and payable, and the maintenance of the reserve therefor and to provide for all other obligations, expenditures and funds for the System required by law and this Ordinance. In addition, it is agreed that the rates shall be set from time to time so that there shall be produced each fiscal year Net Revenues in an amount not less than 110% of the principal of an interest on all Bonds coming due in each fiscal year and not less than 100% of the principal of and interest on all Junior Lien Bonds coming due in each fiscal year. The rates shall be fixed and revised from time to time as may be necessary to produce these amounts, and it is hereby covenanted and agreed to fix and maintain rates for services furnished by the System at all times sufficient to provide for the foregoing.

Section 15. Funds and Accounts; Flow of Funds. Commencing with the effective date of this Ordinance, there shall be created and established, and all Revenues of the System shall be set aside as collected and credited to, a fund designated COMMUNITY THEATRE SYSTEM RECEIVING FUND (the "Receiving Fund"). The Revenues credited to the Receiving Fund are pledged for the purpose of the following funds and shall be transferred or debited from the Receiving Fund periodically in the manner and at the times and in the order of priority hereinafter specified:

A. OPERATION AND MAINTENANCE FUND:

Out of the Revenues credited to the Receiving Fund there shall be first set aside in, or credited to, a fund designated OPERATION AND MAINTENANCE FUND (the "Operation and Maintenance Fund"), monthly a sum sufficient to provide for the payment of the next month's expenses of administration and operation of the System and such current expenses for the maintenance thereof as may be necessary to preserve the same in good repair and working order.

A budget, showing in detail the estimated costs of administration, operation and maintenance of the System for the next ensuing operating year, shall be prepared by the City Council at least 30 days prior to the commencement of each ensuing operating year. No payments shall be made to the Issuer from moneys credited to the Operation and Maintenance Fund except for services directly rendered to the System by the Issuer or its personnel.

B. BOND AND INTEREST REDEMPTION FUND:

There shall be established and maintained a separate depositary fund designated BOND AND INTEREST REDEMPTION FUND (the "Redemption Fund"), the moneys on deposit therein from time to time to be used solely for the purpose of paying the principal of, redemption premiums (if any) and interest on the Bonds. The moneys in the Redemption Fund (including the Bond Reserve Account) shall be kept on deposit with the bank or trust company where the principal of and interest on the Bonds, or any series thereof, are payable.

Out of the Revenues remaining in the Receiving Fund, after provisions for the Operation and Maintenance Fund, there shall be set aside in the Redemption Fund each quarter, commencing with the date of issue of a series of Bonds, a sum proportionately sufficient to provide for the payment when due of the then current principal of and interest on the Bonds, less any amount in the Redemption Fund representing accrued interest on the Bonds or investment income on amounts on deposit in the Redemption Fund, (including investment income on amounts held as part of the Bond Reserve Account, but only to the extent that the Bond Reserve Account is fully funded). Commencing with the date of issue of a series of Bonds, the amount set aside each quarter for interest on the Bonds shall be the fractional amount of the total amount of interest on the Bonds next coming due derived from the number of quarters from the date of issue of the Bonds to the first interest payment date. Commencing with the first interest payment date, the amount set aside each quarter for interest on the Bonds shall be ½ of the total amount of interest on the Bonds next coming due. The amount set aside each quarter for principal, commencing with the date of issue of a series of Bonds, shall be the fractional amount of the total amount of principal on the Bonds next coming due by maturity or sinking fund redemption derived from the number of quarters from the date of issue of the Bonds to the first principal payment date. The amount set aside each quarter for principal payment commencing with the first principal payment date shall be ¼ of the amount of principal next coming due by maturity or sinking fund redemption. If there is any deficiency in the amount previously set aside, that deficiency shall be added to the next succeeding quarterly requirements. The amount to be set aside for the payment of principal and interest on any date shall not exceed the amount which, when added to the money on deposit in the Redemption Fund, including investment income thereon and on the Bond Reserve Account (but only to the extent that the Bond Reserve Account is fully funded), is necessary to pay principal and interest due on the Bonds on the next succeeding principal payment date.

There is established a separate account in the Redemption Fund to be known as the BOND RESERVE ACCOUNT (the "Bond Reserve Account"). There shall be deposited in the Bond Reserve Account the Reserve Requirement. Interest on the Bond Reserve Account must be transferred to the Redemption Fund once the Reserve Requirement has been reached.

Except as otherwise provided in this Section, the moneys credited to the Bond Reserve Account shall be used solely for the payment of the principal of, redemption premiums (if any) and interest on the Bonds as to which there would otherwise be a default. If at any time it shall be necessary to use moneys credited to the 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 for current principal and interest requirements until the amount on deposit equals the Reserve Requirement. Each Ordinance authorizing Bonds shall provide for additional deposits to the Bond Reserve Account to be made from the proceeds of the Bonds or Issuer funds on hand and legally available for such use in an amount that will result in the Bond Reserve Account being equal to the Reserve Requirement after issuance of the Bonds, or such lesser amount, provided that the Bond Reserve Account must be funded to the Reserve Requirement in not more than five (5) years from the date of issuance of the Bonds. If on any principal payment date the amount in the Bond Reserve Account exceeds the Reserve Amount, the excess shall be transferred to the Redemption Fund for payment of principal and interest on the Bonds due on that date.

C. JUNIOR LIEN BOND AND INTEREST REDEMPTION FUND:

There is hereby established and there shall be maintained a separate depositary account designated JUNIOR LIEN BOND AND INTEREST REDEMPTION FUND (the "Junior Lien Redemption Fund"). Except as otherwise provided herein, the moneys on deposit therein from time to time shall be used for the purpose of paying the principal or Redemption Price of and interest on any Junior Lien Bonds. There is hereby established a separate account in the Junior Lien Redemption Fund designated JUNIOR LIEN BOND RESERVE ACCOUNT (the "Junior Lien Bond Reserve Account").

Out of the Revenues remaining in the Revenue Fund, after transfer, if required, for deposit into the Operation and Maintenance Fund and the Redemption Fund, there shall be set aside quarterly in the Junior Lien Redemption Fund a sum sufficient to provide for the next payment when due of the principal of and interest on the Junior Lien Bonds, less any amount in the Junior Lien Redemption Fund representing accrued interest on the Junior Lien Bonds, and less the sum of any funds actually on deposit in the Junior Lien Redemption Fund. The amount set aside and transferred to the Junior Lien Redemption Fund each quarter for interest on the Junior Lien Bonds shall be ½ of the total amount of interest on the Junior Lien Bonds next coming due or such greater or lesser amount as is necessary to assure that the amount set aside in the Junior Lien Redemption Fund as of the first of such quarter is not less than the product of (a) ½ of the amount of interest next due on the Junior Lien Bonds times (b) the number of quarters elapsed since and including the last interest payment date. For the quarter immediately prior to each interest payment date the amount set aside and transferred to the Junior Lien Redemption Fund to pay interest shall be reduced by amounts, including investment earnings, available in the Junior Lien Redemption Fund which are available for such purpose. The amount set aside and transferred to the Junior Lien

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