

ARTICLES OF INCORPORATION
OF
KAREGNONDI WATER AUTHORITY

These Articles of Incorporation are adopted by the incorporating municipal corporations for the purpose of creating an AUTHORITY under the provisions of Act 233, Public Acts of Michigan, 1955, as amended (the "Act").

ARTICLE I – NAME AND OFFICE

The name of this AUTHORITY is "Karegnondi Water Authority." The principal office of the AUTHORITY will be located at G-4610 Beecher Road, Flint, Michigan 48532-2617 or at such other location or locations as the BOARD (as defined herein) shall determine from time to time.

ARTICLE II – INCORPORATING MUNICIPALITIES

The Incorporating Municipalities creating this AUTHORITY are the County of Genesee, the County of Lapeer, the County of Sanilac, the City of Flint and the City of Lapeer (the "INCORPORATING MUNICIPALITIES") which are hereby designated Constituent Municipalities as provided in Section 1 of the Act.

ARTICLE III – PURPOSE

The purpose of this AUTHORITY is to undertake governmental cooperation and to acquire, own, improve, enlarge, extend, operate and maintain a water supply system or any other system permitted by the Act in accordance with the authorization of the Act. The term "water

supply system” as used in these Articles of Incorporation shall be as now or hereafter defined in the Act.

ARTICLE IV – POWERS

This AUTHORITY shall be a public body corporate with power to sue or to be sued in any court of this State. Its corporate limits shall include all of the territory embraced within the boundaries of the INCORPORATING MUNICIPALITIES. The AUTHORITY shall possess all of the powers now or hereafter granted by the Act, the State of Michigan Constitution of 1963 or by any other applicable statute or law and by these Articles of Incorporation, and all those powers incident thereto. The enumeration of any powers herein shall not be construed as a limitation upon the AUTHORITY’S general powers unless the context shall clearly indicate otherwise. The AUTHORITY shall have a corporate seal.

ARTICLE V – EXISTENCE; DISSOLUTION

This AUTHORITY shall continue in existence perpetually or until dissolved by an unanimous vote of the INCORPORATING BOARD (as defined herein) or by law; provided, however, that the AUTHORITY shall not be dissolved if such dissolution could operate as an impairment of any of its contracts. After an affirmative vote of the INCORPORATING BOARD, the BOARD (as defined herein) shall determine how assets of the AUTHORITY are to be distributed by vote of the BOARD as set forth in Article IX.

ARTICLE VI – FISCAL YEAR

The fiscal year of the AUTHORITY shall commence on the first day of October in each year and end on the 30th day of September next following, or such other period as determined by the BOARD.

ARTICLE VII – BOARD

The governing body of this AUTHORITY shall be a Board of Trustees (referred to herein as the “BOARD”). Members of the BOARD shall initially be the Genesee County Drain Commissioner representing the County of Genesee, the Lapeer County Drain Commissioner representing the County of Lapeer, the Sanilac County Drain Commissioner representing the County of Sanilac, the Mayor of the City of Flint representing the City of Flint and the Mayor of the City of Lapeer representing the City of Lapeer (the initial board members being referred to herein as the “INCORPORATING BOARD”). The members of the INCORPORATING BOARD (referred to herein as “INCORPORATING BOARD MEMBERS”) shall take office upon the adoption of these articles of incorporation and subscribing to the constitutional oath of office. The oath shall be filed in the office of the respective County Clerk and with the recording officer of the AUTHORITY. INCORPORATING BOARD MEMBERS may designate in writing individuals to act on their behalf. Prior to any designee so acting, however, the designation shall be filed with the recording officer of the AUTHORITY.

Within twenty (20) days after the effective date of the incorporation of the AUTHORITY, the members of the INCORPORATING BOARD shall meet for the purpose of organization. The time and place for such meeting shall be fixed by the Genesee County Drain Commissioner, and notice thereof served upon all members in the manner provided in

ARTICLE X in the case of a special BOARD meeting. At the organizational or subsequent meeting, the members of the INCORPORATING BOARD are authorized to approve initial bylaws for the AUTHORITY, approve a model water supply contract for the acquisition of capacity (referred to herein as a "Capacity Contract" or "Capacity Contracts"), such other contracts deemed necessary or advisable by the INCORPORATING BOARD and appoint a CHIEF EXECUTIVE OFFICER (as defined herein). The members of the INCORPORATING BOARD shall approve of the first Capacity Contract(s) with an entity or entities wishing to acquire capacity from the AUTHORITY (each such entity acquiring capacity from the AUTHORITY, including the INCORPORATING MUNICIPALITIES, shall be referred to herein as a "PARTY" and entities so contracting with the AUTHORITY are collectively referred to herein as the "PARTIES").

Beginning with the first meeting after the effective date of the first Capacity Contract(s) for the acquisition of capacity from the AUTHORITY, membership on the BOARD shall consist of the INCORPORATING BOARD MEMBERS and at least ten (10) additional members (referred to herein as "ADDITIONAL BOARD MEMBERS"). The ADDITIONAL BOARD MEMBERS shall be allocated among the political subdivisions, public corporations, public agencies and other public entities that have entered into Capacity Contracts on the basis of percentage of capacity under contract from the AUTHORITY. No private parties entering into Capacity Contracts with the AUTHORITY shall be entitled to an allocation of members on the BOARD. Each PARTY entering into a Capacity Contract as described above shall be entitled to appoint ADDITIONAL BOARD MEMBERS equal to the PARTY's percentage share of the total capacity under contract by the AUTHORITY rounded to the nearest whole 10% (rounded

up to the nearest 10% integer at any number equal to or greater than 5% and down to the nearest 10% integer at any number less than 5%), provided that each party that enters into a Capacity Contract shall be entitled to appoint at least one ADDITIONAL BOARD MEMBER. The ADDITIONAL BOARD MEMBERS from the PARTIES acquiring capacity shall be appointed or selected as provided in the respective Capacity Contracts to which such PARTIES are a party.

Each ADDITIONAL BOARD MEMBER shall qualify by taking the constitutional oath of office and filing it with his or her respective municipal clerk and the recording officer of the AUTHORITY.

The members of the BOARD and such officers thereof who also are members of the BOARD shall be paid no compensation; provided, however, that the BOARD may authorize the payment of the actual expenditures of any member or officer incurred in connection with the business of the AUTHORITY. At such initial meeting, the BOARD shall select a Chair, and Vice-Chair, who shall be members of the BOARD, and a Treasurer and Secretary, who may but need not be members of the BOARD. Such officers shall serve until the BOARD's organization meeting in the following year or until their respective successors shall be selected and qualify.

ARTICLE VIII – BOARD VACANCIES

In the event of a vacancy among the INCORPORATING BOARD MEMBERS, the individual who assumes the responsibilities of the Drain Commissioner's or Mayor's office pursuant to state law or charter shall assume the respective INCORPORATING BOARD MEMBER'S position on the BOARD until a successor Drain Commissioner or Mayor is selected or elected pursuant to state law or charter. In the event of a vacancy of an ADDITIONAL BOARD MEMBER, such vacancy shall be filled as provided by the Capacity

Contract relating to such ADDITIONAL BOARD MEMBER. In the event of a vacancy in any office of the BOARD, such vacancy shall be filled by the BOARD for the unexpired term in accordance with the bylaws. In case of the temporary absence or disability of any officer, the BOARD may appoint some person temporarily to act in his or her stead except that in the event of the temporary absence or disability of the Chair, the Vice-Chair shall so act.

ARTICLE IX – VOTING

Each INCORPORATING BOARD MEMBER shall have one vote. Ten additional votes shall be distributed among all the PARTIES on the basis of the proportion of capacity that each PARTY'S Capacity Contract bears to the total capacity under contract by the AUTHORITY (defined herein as the "ADDITIONAL VOTES"). Each ADDITIONAL BOARD MEMBER shall cast a pro-rata share of the ADDITIONAL VOTES allocated to the PARTY which appointed such member to the BOARD. If less than all of the ADDITIONAL BOARD MEMBERS representing a PARTY are present and voting at a BOARD meeting, those ADDITIONAL BOARD MEMBERS present and voting shall vote a pro-rata allocation of all the votes allocated to the PARTY. See Exhibit A to these Articles of Incorporation for an example illustrating the allocation ADDITIONAL BOARD MEMBERS and ADDITIONAL VOTES.

The BOARD shall act by resolution or ordinance. Except as otherwise provided in these Articles of Incorporation, a vote of a majority of a quorum of the BOARD present and voting shall be required for passage of any action; provided, however, in addition to a majority vote of the BOARD, the following actions require a majority vote of the INCORPORATING BOARD MEMBERS: 1) the approval of Capacity Contracts subsequent to the effective date of the first Capacity Contract(s), 2) the expansion of any system of the Authority, 3) the issuance of any

bonds or the incurrence of any debt, and 4) the distribution of AUTHORITY assets in the event of dissolution under Article V.

ARTICLE X – MEETINGS

Regular meetings of the BOARD shall be held at least annually at such time and place as shall be prescribed by resolution of the BOARD. Special meetings of the BOARD may be called by the Chair or any two BOARD members, by providing written or electronic notice of the time, place and purpose thereof, to each member of the BOARD, at least eighteen hours prior to the time of such meeting. Notice of special meetings of the BOARD at which all members are present shall be deemed to be valid even though no written notice thereof may be given as above specified. Any member of the BOARD may in writing waive notice of any meeting either before or after the holding thereof. At least a majority of the members-elect of the BOARD and the number of BOARD members necessary to allow for a majority of the number of votes to be voted shall be required for a quorum. Public notices of all organization, regular, special or rescheduled regular meetings of the BOARD shall be given pursuant to the applicable provisions of The Open Meetings Act, being Act 267, Public Acts of 1976, as amended.

The BOARD shall have the right to amend or readopt bylaws from time to time and rules governing its procedures and regulating the affairs of the AUTHORITY, which are not in conflict with the terms of the Act or any other statute or these Articles of Incorporation. The BOARD shall also have the right to establish rules and regulations for the use of any project constructed by it under the provisions of the enabling acts. The BOARD shall keep a journal of its proceedings, which shall be signed by the Secretary. Pursuant to 1976 PA 442, all of the records of the AUTHORITY shall be subject to inspection or copying by any person as defined

in Section 2 of 1976 PA 442, unless exempt. All votes shall be "yeas" and "nays", except that where the vote is unanimous, it shall only be necessary to so state.

ARTICLE XI – OFFICERS

The Chair of the BOARD shall be the presiding officer thereof. Except as herein otherwise provided, he or she shall not have any executive or administrative functions other than as a member of said BOARD; provided, however, if such Chair of the BOARD is the CHIEF EXECUTIVE OFFICER, the powers and duties provided by ARTICLE XX hereof to the CHIEF EXECUTIVE OFFICER shall not be diminished as a result of holding the office of Chair of the BOARD. In the absence or disability of the Chair, the Vice-Chair shall perform the duties of the Chair. The Secretary shall be the recording officer of the BOARD. The Treasurer shall be custodian of the funds of the AUTHORITY and shall give it a bond conditioned upon the faithful performance of the duties of his or her office. The cost of said bond shall be paid by the AUTHORITY. All money shall be deposited in a bank(s) to be designated by the BOARD, and all checks or other forms of withdrawal therefrom shall be signed as provided in the bylaws. The officers of the BOARD shall have such other powers and duties as may be conferred upon them by the BOARD.

The BOARD shall prepare and adopt an annual budget in accordance with law setting forth the estimated revenues and proposed expenditures for each year of operation of the AUTHORITY. After adoption, the BOARD shall transmit a copy of the annual budget to its INCORPORATING MUNICIPALITIES.

ARTICLE XII – ADDITIONAL POWERS

The AUTHORITY shall possess all powers necessary to carry out the purposes thereof and those incident thereto, including but not limited to the power of condemnation, either within or without its corporate limits. The AUTHORITY also shall have all powers provided by the Revenue Bond Act, Act 94, Public Acts of Michigan, 1933 or any successor legislation thereto. For the purpose of condemnation it may proceed under the provisions of Act 149, Public Acts of Michigan, 1911, as now or hereafter amended, or any other appropriate statute.

ARTICLE XIII – PROJECTS

The AUTHORITY shall have the power to determine the location of any project constructed by it under the provisions of the Act and to determine, in its sole discretion, the design, standards, and the materials of construction, and to construct, maintain, repair and operate the same.

ARTICLE XIV – CONTRACTS

The AUTHORITY and its Constituent Municipalities may enter into a contract or contracts providing for the acquisition, purchase, construction, improvement, enlargement, extension, operation and financing of a water supply system or any other system as authorized and provided in the Act. The AUTHORITY may enter into contracts with any non-constituent entity permitted under the act for the acquisition, purchase, construction, improvement, enlargement, extension, operation and financing of a water supply system or any other system as authorized and provided in the Act and for the furnishing of a water supply system or any other system owned by the AUTHORITY, which contract shall provide for reasonable charges or rates

for such service furnished. The AUTHORITY shall have the power to enter into contracts with any Constituent Municipality or other municipality for the purchase of a water supply system or any other system authorized by the Act from such Constituent Municipality or other municipality and shall have the power to enter into contracts with any Constituent Municipality or other municipality for the operation of any water supply system or any other system authorized by the Act. No contracts shall be for a period exceeding forty (40) years.

ARTICLE XV – BOND AND NOTES GENERALLY

For the purpose of obtaining funds for acquiring, constructing, improving, enlarging or extending a water supply system or any other system authorized in the Act, the AUTHORITY may, upon ordinance or resolution duly adopted by it, issue its negotiable bonds and/or notes, in accordance with and subject to the provisions of the Act and other relevant law.

Bonds issued by the AUTHORITY, and interest coupons relating thereto, if any, shall be executed in the name and on behalf of the AUTHORITY as provided in the bylaws, and the corporate seal of the AUTHORITY or a facsimile there of may be printed on or affixed to bonds.

ARTICLE XVI – REVENUE BONDS

The AUTHORITY and any of its Constituent Municipalities and any other municipality shall have authority, if provided by the terms of any contract, to acquire, construct, improve, enlarge or extend a water supply system or any other system authorized by the Act to provide for the sale and purchase of water supply or any other system authorized by the Act from such system or systems, and, after the execution of such contract or contracts, the AUTHORITY may issue self-liquidating revenue bonds in accordance with the provisions of Act 94, Public Acts of

Michigan, 1933, as amended, or any other act providing for the issuance of revenue bonds, which bonds shall be payable solely from the revenues of the water supply system or any other system authorized by the Act or a combination thereof. The charges specified in any such contract or contracts shall be subject to increase by the AUTHORITY at any time if necessary in order to provide funds to meet its obligations. Any contract authorized herein shall be for a period of not exceeding forty (40) years.

ARTICLE XVII – PERSONNEL, PROFESSIONALS

The BOARD shall have the power to hire all necessary officers and employees to carry out the functions of the AUTHORITY and to fix the compensation therefor. The BOARD shall retain legal counsel to advise the BOARD in the proper performance of its duties. The legal counsel shall represent the AUTHORITY in actions brought by or against the AUTHORITY. Additionally, the AUTHORITY may employ other personnel and professionals as deemed necessary by the BOARD.

ARTICLE XVIII – ANNUAL AUDIT

The BOARD shall cause an annual audit to be made of its financial transactions by a certified public accountant in accordance with law.

ARTICLE XIX – PUBLICATION

These Articles of Incorporation shall be published once in *The Flint Journal* of Flint, Michigan, *Sanilac County News* of Sandusky, Michigan and *The Lapeer County Press* of Lapeer, Michigan, which are newspapers that collectively have general circulation within the territory encompassed by the AUTHORITY. One (1) printed copy of the Articles of Incorporation as

printed in the aforementioned newspapers, certified as a true copy thereof, with the dates and places of publications shown by publishers' affidavits of publication attached thereto, shall be filed with the Secretary of State and also the Clerk of the County of Sanilac, the Clerk of the County of Genesee and the Clerk of the County of Lapeer after the execution and publication thereof has been completed.

The Genesee County Drain Commissioner is hereby designated as the person to cause these Articles of Incorporation to be published, certified and filed. All expenses for the publication of these Articles of Incorporation and all other expenses, if any, incurred in the incorporation and establishment of the AUTHORITY shall be equally divided among and paid by each of the INCORPORATING MUNICIPALITIES.

ARTICLE XX – CHIEF EXECUTIVE OFFICER

The INCORPORATING BOARD shall have the power to appoint a CHIEF EXECUTIVE OFFICER (referred to herein as the "CHIEF EXECUTIVE OFFICER"). The CHIEF EXECUTIVE OFFICER shall hold office at the will and pleasure of the INCORPORATING BOARD. In accordance with the authorization set forth in Article VII, Section 28, of the Michigan Constitution of 1963, the CHIEF EXECUTIVE OFFICER may be a full-time employee or representative of a PARTY or a Constituent Municipality and shall not be required to relinquish his or her office or employment by reason of such service. The CHIEF EXECUTIVE OFFICER shall be responsible for the day-to-day operation of the AUTHORITY and shall provide general direction to the work and general management of all activities of the AUTHORITY, including the following:

(a) The CHIEF EXECUTIVE OFFICER shall be responsible for the appointment or employment and discharge of all employees, and for the direction of their activities (except those whose appointment is made by the BOARD), or as otherwise directed by the BOARD.

(b) The CHIEF EXECUTIVE OFFICER, upon notice to the BOARD, may delegate to subordinates any of the duties assigned to the CHIEF EXECUTIVE OFFICER.

(c) The CHIEF EXECUTIVE OFFICER shall approve of such purchases and make such certifications as shall be required or permitted under the purchasing authority and approval set forth in the bylaws and otherwise as authorized and directed by the BOARD.

(d) The CHIEF EXECUTIVE OFFICER shall certify the rates of pay and the payrolls of all employees.

(e) The CHIEF EXECUTIVE OFFICER is authorized to take such other actions and assume such other responsibilities as may be provided by federal and state law.

(f) The CHIEF EXECUTIVE OFFICER shall supervise and administer the acquisition, construction, improvement, enlargement, extension and operation of all systems of the AUTHORITY.

(g) The CHIEF EXECUTIVE OFFICER shall perform such other duties and responsibilities as shall be assigned by the BOARD from time to time.

ARTICLE XXI

This AUTHORITY shall become effective upon the filing of certified copies of these Articles of Incorporation as published, as provided in Article XIX.

ARTICLE XXII

These Articles of Incorporation may be amended at any time so as to permit any other entity permitted by the Act to become a INCORPORATING MUNICIPALITY of the AUTHORITY, if such amendment to the Articles of Incorporation is adopted by the legislative body of such entity proposing to become a INCORPORATING MUNICIPALITY, and if such amendment is adopted by the legislative body of each INCORPORATING MUNICIPALITY of which the AUTHORITY is composed. Other amendments may be made to these Articles of Incorporation at any time if adopted by the legislative body of each INCORPORATING MUNICIPALITY of which the AUTHORITY is composed. Any such amendment shall be endorsed, published, and certified and printed copies thereof filed in the same manner as the original Articles of Incorporation, except that the filed and printed copies shall be certified by the recording officer of this AUTHORITY.

These Articles of Incorporation have been adopted by the INCORPORATING MUNICIPALITIES, as hereinafter set forth in the following endorsements, and in witness whereof the designated officials of each INCORPORATING MUNICIPALITY have endorsed thereon the statement of such adoption.