ORDINANCE NO. 2004-11

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF WATER AND SEWER REFUNDING REVENUE BONDS; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS; PRESCRIBING OTHER MATTERS RELATING THERETO; AND DECLARING AN EMERGENCY.

WHEREAS, the City of Atkins, Arkansas (the "City") owns water and sewer facilities, which are operated as a single, integrated municipal undertaking (the "System"); and

WHEREAS, the City has outstanding its (a) Water and Sewer Refunding and Construction Revenue Bonds, Series 1995 (the "Series 1995 Bonds") in the principal amount of $890,000 and (b) Water and Sewer Refunding and Construction Revenue Bonds, Series 2000 (the "Series 2000 Bonds") in the principal amount of $1,600,000; and

WHEREAS, the City Council has determined that it is in the best interest of the City to refund the Series 1995 Bonds and the Series 2000 Bonds (collectively, the "Bonds Refunded"); and

WHEREAS, the City can accomplish the refunding of the Bonds Refunded (the "Refunding") by the issuance of Water and Sewer Refunding Revenue Bonds, Series 2004 (the "bonds"), and the use of available moneys held in the bond funds (including the debt service reserves therein) for the Bonds Refunded; and

WHEREAS, the City has made arrangements for the sale of $2,450,000 in principal amount of the bonds to Stephens Inc. (the "Purchaser"), at a price of 98.20% of par plus accrued interest (the "Purchase Price") pursuant to a Bond Purchase Agreement (the "Purchase Agreement") which has been presented to and is before this meeting; and

WHEREAS, the Preliminary Official Statement, dated October 28, 2004, offering the bonds for sale (the "Preliminary Official Statement") has been presented to and is before this meeting; and

WHEREAS, the Limited Continuing Disclosure Agreement between the City and Bank of the Ozarks, Little Rock, Arkansas (the "Disclosure Agreement"), providing for the disclosure obligations of the City with respect to the bonds, has been presented to and is before this meeting;

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Atkins, Arkansas:

Section 1. The Refunding shall be accomplished and the Mayor and City Clerk are hereby authorized to take, or cause to be taken, all action necessary to accomplish the Refunding. The Bonds

Refunded shall be called for redemption as follows: (a) the Series 1995 Bonds on the date the bonds are issued at a price of par plus accrued interest and (b) the Series 2000 Bonds on June 1, 2007 at a price of par plus accrued interest.

Section 2. The City Council hereby finds and declares that the period of usefulness of the System will be more than 25 years, which is longer than the term of the bonds.

Section 3. The offer of the Purchaser for the purchase of the bonds from the City at the Purchase Price for bonds bearing interest at the rates per annum, maturing and otherwise subject to the terms and provisions hereafter in this Ordinance set forth in detail be, and is hereby accepted, and the Purchase Agreement, in substantially the form submitted to this meeting, is approved and the bonds are hereby sold to the Purchaser. The Mayor is hereby authorized and directed to execute and deliver the Purchase Agreement on behalf of the City and to take all action required on the part of the City to fulfill its obligations under the Purchase Agreement.

Section 4. The Preliminary Official Statement is hereby approved and the previous use of the Preliminary Official Statement by the Purchaser in connection with the sale of the bonds is hereby in all respects approved and confirmed, and the Mayor be, and he is hereby, authorized and directed, for and on behalf of the City, to execute the Preliminary Official Statement and the final Official Statement in the name of the City for use in connection with the sale of the bonds as set forth in the Purchase Agreement.

Section 5. Under the authority of the Constitution and laws of the State of Arkansas (the "State"), including particularly Title 14, Chapter 234, Subchapter 2, Title 14, Chapter 235, Subchapter 2 and Title 14, Chapter 164, Subchapter 4 of the Arkansas Code of 1987 Annotated and applicable decisions of the Supreme Court of the State, including particularly City of Harrison v. Braswell, 209 Ark. 1094, 194 S.W.2d 12 (1946), City of Atkins, Arkansas Water and Sewer Refunding Revenue Bonds, Series 2004 are hereby authorized and ordered issued in the principal amount of $2,450,000 for the purpose of financing, with other available funds, the Refunding, funding a debt service reserve and paying necessary expenses of issuing the bonds and accomplishing the Refunding. The bonds shall mature on June 1 in the years and in the amounts and shall bear interest as follows:

Year (June 1)	Principal Amount	Interest Rate
2005	$ 10,000	1.800%
2006	95,000	2.125
2007	90,000	2.500
2008	100,000	2.750
2009	100,000	3.000
2010	105,000	3.250
2011	105,000	3.400
2012	110,000	3.600
2013	115,000	3.750
2014	120,000	3.850
2015	125,000	3.950
2016	130,000	4.000
2017	135,000	4.100
2018	140,000	4.200
2019	145,000	4.300
2020	150,000	4.350
2021	160,000	4.450
2022	165,000	4.550
2024	350,000	4.700

The bonds shall be dated December 1, 2004 and shall be issuable only as fully registered bonds without coupons in the denomination of $5,000 or any integral multiple thereof. Unless the City shall otherwise direct, the bonds shall be numbered from 1 upward in order of issuance. Each bond shall have a CUSIP number.

The bonds shall be registered initially in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), which shall be considered to be the registered owner of the bonds for all purposes under this Ordinance, including, without limitation, payment by the City of principal of, redemption price, premium, if any, and interest on the bonds, and receipt of notices and exercise of rights of registered owners. There shall be one certificated, typewritten bond for each stated maturity date which shall be immobilized in the custody of DTC with the beneficial owners having no right to receive the bonds in the form of physical securities or certificates. DTC and its participants shall be responsible for maintenance of records of the ownership of beneficial interests in the bonds by book-entry on the system maintained and operated by DTC and its participants, and transfers of ownership of beneficial interests shall be made only by DTC and its participants, by book-entry, the City having no responsibility therefor. DTC is expected to maintain records of the positions of participants in the bonds, and the participants and persons acting through participants are expected to maintain records of the purchasers of beneficial interests in the bonds. The bonds as such shall not be transferable or exchangeable, except for transfer to another securities depository or to another nominee of a securities depository, without further action by the City.

If any securities depository determines not to continue to act as a securities depository for the bonds for use in a book-entry system, the City may establish a securities depository/ book-entry system relationship with another securities depository. If the City does not or is unable to do so, or upon request of the beneficial owners of all outstanding bonds, the City and the Trustee (hereinafter identified), after the Trustee has made provision for notification of the beneficial owners by the then securities depository, shall permit withdrawal of the bonds from the securities depository, and authenticate and deliver bond certificates in fully registered form (in denominations of $5,000 or integral multiples thereof) to the assigns of the securities depository or its nominee, all at the cost and expense (including costs of printing definitive bonds) of the City, if the City fails to maintain a securities depository/book-entry system, or of the beneficial owners, if they request termination of the system.

Prior to issuance of the bonds, the City shall have executed and delivered to DTC a written agreement (the "Representation Letter") setting forth (or incorporating therein by reference) certain undertakings and responsibilities of the City with respect to the bonds so long as the bonds or a portion thereof are registered in the name of Cede & Co. (or a substitute nominee) and held by DTC. Notwithstanding such execution and delivery of the Representation Letter, the terms thereof shall not in any way limit the provisions of this Section or in any other way impose upon the City any obligation whatsoever with respect to persons having interests in the bonds other than the registered owners, as shown on the registration books kept by the Trustee. The Trustee shall take all action necessary for all representations of the City in the Representation Letter with respect to the Trustee to at all times be complied with.

The authorized officers of the Trustee and the City shall do or perform such acts and execute all such certificates, documents and other instruments as they or any of them deem necessary or advisable to facilitate the efficient use of a securities depository for all or any portion of the bonds; provided that neither the Trustee nor the City may assume any obligations to such securities depository or beneficial owners of bonds that are inconsistent with their obligations to any registered owner under this Ordinance.

Interest on the bonds shall be payable on June 1, 2005, and semiannually thereafter on June 1 and December 1 of each year. Payment of each installment of interest shall be made to the person in whose name the bond is registered on the registration books of the City maintained by Bank of the Ozarks, Little Rock, Arkansas, as Trustee and Paying Agent (the "Trustee"), at the close of business on the fifteenth day of the month (whether or not a business day) next preceding each interest payment date (the "Record Date"), irrespective of any transfer or exchange of any

such bond subsequent to such Record Date and prior to such interest payment date.

Each bond shall bear interest from the payment date next preceding the date on which it is authenticated unless it is authenticated on an interest payment date, in which event it shall bear interest from such date, or unless it is authenticated prior to the first interest payment date, in which event it shall bear interest from December 1, 2004, or unless it is authenticated during the period from the Record Date to the next interest payment date, in which case it shall bear interest from such interest payment date, or unless at the time of authentication thereof interest is in default thereon, in which event it shall bear interest from the date to which interest has been paid.

Only such bonds as shall have endorsed thereon a Certificate of Authentication substantially in the form set forth in Section 7 hereof (the "Certificate") duly executed by the Trustee shall be entitled to any right or benefit under this Ordinance. No bond shall be valid and obligatory for any purpose unless and until the Certificate shall have been duly executed by the Trustee, and the Certificate upon any such bond shall be conclusive evidence that such bond has been authenticated and delivered under this Ordinance. The Certificate on any bond shall be deemed to have been executed if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the Certificate on all of the bonds.

In case any bond shall become mutilated or be destroyed or lost, the City shall, if not then prohibited by law, cause to be executed and the Trustee may authenticate and deliver a new bond of like date, maturity and tenor in exchange and substitution for and upon cancellation of such mutilated bond, or in lieu of and in substitution for such bond destroyed or lost, upon the owner paying the reasonable expenses and charges of the City and Trustee in connection therewith, and, in the case of a bond destroyed or lost, his filing with the Trustee evidence satisfactory to it that such bond was destroyed or lost, and of his ownership thereof, and furnishing the City and Trustee with indemnity satisfactory to them. The Trustee is hereby authorized to authenticate any such new bond. In the event any such bond shall have matured, instead of issuing a new bond, the City may pay the same without the surrender thereof. Upon the issuance of a new bond under this Section, the City may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

The City shall cause books for the registration and for the transfer of the bonds as provided herein and in the bonds. The Trustee shall act as the bond registrar. Each bond is transferable by the registered owner thereof or by his attorney duly authorized

in writing at the principal office of the Trustee. Upon such transfer a new fully registered bond or bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to any owner of any bond for the privilege of transfer or exchange, but any owner of any bond requesting any such transfer or exchange shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. The City shall not be required to transfer or exchange any bonds selected for redemption in whole or in part.

The person in whose name any bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest on any bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the bonds or the date fixed for redemption of any bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Section 6. The bonds shall be executed on behalf of the City by the manual or facsimile signatures of the Mayor and City Clerk and shall have impressed or imprinted thereon the seal of the City. The bonds, together with interest thereon, are secured by and are payable solely from revenues derived from the System ("Revenues") which are hereby pledged and mortgaged for the equal and ratable payment of the bonds. The bonds shall not constitute an indebtedness of the City within any constitutional or statutory limitation.

Section 7. The bonds and the Certificate shall be in substantially the following form and the Mayor and City Clerk are hereby expressly authorized and directed to make all recitals contained therein:

(Form of Bond)

REGISTERED REGISTERED

No. _____

UNITED STATES OF AMERICA
STATE OF ARKANSAS
COUNTY OF POPE
CITY OF ATKINS
WATER AND SEWER REFUNDING REVENUE BOND,
SERIES 2004

Interest Rate: _____% Maturity Date: June 1, _____
Dated Date: December 1, 2004
Registered Owner: Cede & Co.
Principal Amount: _____ Dollars
CUSIP No.: _____

KNOW ALL MEN BY THESE PRESENTS:

That the City of Atkins, County of Pope, State of Arkansas (the "City"), for value received, hereby promises to pay, but solely from the source as hereinafter provided and not otherwise, to the Registered Owner shown above upon the presentation and surrender hereof at the principal corporate office of Bank of the Ozarks, Little Rock, Arkansas, or its successor or successors, as Trustee and Paying Agent (the "Trustee"), on the Maturity Date shown above, the Principal Amount shown above, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and to pay by check or draft interest thereon, but solely from the source as hereinafter provided and not otherwise, in like coin or currency from the interest commencement date specified below at the Interest Rate per annum shown above, payable June 1, 2005 and semiannually thereafter on the first days of June and December of each year, until payment of such principal sum or, if this bond or a portion hereof shall be duly called for redemption, until the date fixed for redemption, and to pay interest on overdue principal and interest (to the extent legally enforceable) at the rate borne by this bond. Payment of each installment of interest shall be made to the person in whose name this bond is registered on the registration books of the City maintained by the Trustee at the close of business on the fifteenth day of the month (whether or not a business day) next preceding each interest payment date (the "Record Date"), irrespective of any transfer or exchange of this bond subsequent to such Record Date and prior to such interest payment date.

This bond shall bear interest from the payment date next preceding the date on which it is authenticated unless it is authenticated on an interest payment date, in which event it shall bear interest from such date, or unless it is authenticated prior

to the first interest payment date, in which event it shall bear interest from the Dated Date shown above, or unless it is authenticated during the period from the Record Date to the next interest payment date, in which case it shall bear interest from such interest payment date, or unless at the time of authentication hereof interest is in default hereon, in which event it shall bear interest from the date to which interest has been paid.

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC") to issuer or its agent for registration of transfer, exchange, or payment and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This bond is one of an issue of the City of Atkins, Arkansas Water and Sewer Refunding Revenue Bonds, Series 2004, aggregating Two Million Four Hundred Fifty Thousand Dollars ($2,450,000) in principal amount (the "bonds"), and is issued for the purpose, with other available funds, of refunding the City's Water and Sewer Refunding and Construction Revenue Bonds, Series 1995 and Water and Sewer Refunding and Construction Revenue Bonds, Series 2000, funding a debt service reserve and paying expenses of issuing the Bonds and accomplishing the refunding.

The bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Arkansas (the "State"), including particularly Title 14, Chapter 234, Subchapter 2, Title 14, Chapter 235, Subchapter 2, and Title 14, Chapter 164, Subchapter 4 of the Arkansas Code of 1987 Annotated and applicable decisions of the Supreme Court of Arkansas, including particularly City of Harrison v. Braswell, 209 Ark. 1094, 194 S.W.2d 12 (1946), and pursuant to Ordinance No. _____, duly adopted on November 4, 2004 (the "Authorizing Ordinance"), and do not constitute an indebtedness of the City within any constitutional or statutory limitation. The bonds are not general obligations of the City, but are special obligations payable solely from the revenues derived from the operation of the City's municipal water and sewer (combined) system (the "System"). An amount of System revenues sufficient to pay the principal of and interest on the bonds has been duly pledged and set aside into the 2004 Water and Sewer Revenue Bond Fund created by the Authorizing Ordinance. Reference is hereby made to the Authorizing Ordinance for a detailed statement of the terms and conditions upon which the bonds are issued, of the nature and extent of the security for the bonds, and the rights and obligations of the City, the Trustee and the registered owners of the bonds. The City has fixed and has

covenanted and agreed to maintain rates for the services of the System which shall be sufficient at all times to provide for the proper and reasonable expenses of operation and maintenance of the System and for the payment of the principal of and interest on the bonds, including Trustee's fees, as the same become due and payable, to establish and maintain a debt service reserve and to make the required deposit for the depreciation of the System.

The bonds shall be subject to optional, extraordinary and mandatory sinking fund redemption as follows:

(1) The bonds are subject to redemption at the option of the City, from funds from any source, in whole at any time or in part on any interest payment date on and after December 1, 2009, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption. If fewer than all of the Bonds shall be called for redemption, the particular maturities to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(2) The bonds must be redeemed from proceeds of the bonds not needed for the purposes intended, on any interest payment date, in whole or in part, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee may determine).

(3) To the extent not previously redeemed, the bonds maturing on June 1, 2024 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on the dates and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Bonds Maturing June 1, 2024

Redemption Dates	Principal Amounts
June 1, 2023	$170,000
June 1, 2024 (maturity)	180,000

The provisions for mandatory sinking fund redemption of the bonds are subject to the provisions of the Authorizing Ordinance which permit the City to receive credit for bonds previously redeemed or for bonds acquired by the City and surrendered to the Trustee.

Notice of redemption identifying the bonds or portions thereof (which shall be $5,000 or a multiple thereof) to be

redeemed shall be given by the Trustee, not less than 30 nor more than 60 days prior to the date fixed for redemption, by mailing a copy of the redemption notice by first class mail, postage prepaid, to all registered owners of bonds to be redeemed. Failure to mail an appropriate notice or any such notice to one or more registered owners of bonds to be redeemed shall not affect the validity of the proceedings for redemption of other bonds as to which notice of redemption is duly given in proper and timely fashion. All such bonds or portions thereof thus called for redemption and for the retirement of which funds are duly provided in accordance with the Authorizing Ordinance prior to the date fixed for redemption will cease to bear interest on such redemption date.

This bond is transferable by the registered owner hereof in person or by his attorney-in-fact duly authorized in writing at the principal corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Authorizing Ordinance, and upon surrender and cancellation of this bond. Upon such transfer a new fully registered bond or bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange therefor. This bond is issued with the intent that the laws of the State shall govern its construction.

The City and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and premium, if any, hereon and interest due hereon and for all other purposes, and neither the City nor the Trustee shall be affected by any notice to the contrary.

The bonds are issuable only as fully registered bonds in the denomination of $5,000, and any integral multiple thereof. Subject to the limitations and upon payment of the charges provided in the Authorizing Ordinance, fully registered bonds may be exchanged for a like aggregate principal amount of fully registered bonds of the same maturity of other authorized denominations.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of the bonds do exist, have happened and have been performed in due time, form and manner as required by law; that the indebtedness represented by the bonds, together with all obligations of the City, does not exceed any constitutional or statutory limitation; and that the above referred to revenues pledged to the payment of the principal of and premium, if any, and interest on the bonds as the same become due and payable will be sufficient in amount for that purpose.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the

Authorizing Ordinance until the Certificate of Authentication hereon shall have been signed by the Trustee.

THE CITY HAS DESIGNATED THIS BOND AS A "QUALIFIED TAX-EXEMPT OBLIGATION" WITHIN THE MEANING OF SECTION 265(b) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

IN WITNESS WHEREOF, the City of Atkins, Arkansas has caused this bond to be executed by its Mayor and City Clerk and its corporate seal to be impressed or imprinted on this bond, all as of the Dated Date shown above.

CITY OF ATKINS, ARKANSAS

ATTEST:

Brenda Brawner
City Clerk

By Jerry D. Barnett
Mayor

(SEAL)

(Form of Trustee's Certificate)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds designated Series 2004 in and issued under the provisions of the within mentioned Authorizing Ordinance.

Date of Authentication: _____

BANK OF THE OZARKS
Little Rock, Arkansas
TRUSTEE

By _____
Authorized Signature

(Form of Assignment)

ASSIGNMENT

FOR VALUE RECEIVED, _____ ("Transferor"), hereby sells, assigns and transfers unto _____, the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ as attorney to transfer the within bond on the books kept for registration thereof with full power of substitution in the premises.

DATE: _____

_____
Transferor

GUARANTEED BY:

_____

NOTICE: Signature(s) must be guaranteed by a member of or participant in the Securities Transfer Agents Medallion Program (STAMP), or in another signature guaranty program recognized by the Trustee.

Section 8. The rates charged for services of the System heretofore fixed by ordinances of the City (as codified in Sections 10.08.01 and 10.12.01 of the Atkins Municipal Code) and the conditions, rights and obligations pertaining thereto, as set out in these ordinances, are hereby ratified, confirmed and continued.

The City covenants that the rates shall never be reduced while any of the bonds are outstanding unless there is obtained from an independent certified public accountant ("Accountant") a certificate that the Net Revenues of the System (Net Revenues being defined as gross Revenues less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal water and sewer facilities excluding depreciation, interest and amortization of deferred bond discount expenses), with the reduced rates, will always be equal to the amount required to be set aside for the Depreciation Fund (described below) and leave a balance equal to at least 125% of the maximum annual principal and interest requirements on all outstanding obligations payable from Revenues ("System Obligations"). The City further covenants that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce Net Revenues at least equal to 125% of the maximum annual principal and interest requirements on all System Obligations, which Net Revenues shall also be sufficient to deposit the amounts required to be paid into the Depreciation Fund in accordance with the provisions of this Ordinance.

Section 9. The City covenants that it will continuously operate the System as a revenue-producing undertaking and will not

sell or lease the same, or any substantial portion thereof; provided, however, that nothing herein shall be construed to prohibit the City from making such dispositions of properties of the System and such replacements and substitutions for properties of the System as shall be necessary or incidental to the efficient operation of the System as a revenue-producing undertaking.

Section 10. The Treasurer of the City shall be custodian of the Revenues and each employee of the City handling Revenues shall give bond for the faithful discharge of his or her duties in such amounts as approved by the City Council. All Revenues shall at all times be accounted for separately and distinctly from other moneys of the City and shall be used and applied only as provided herein. Except as hereinafter provided, all Revenues shall be deposited in such depository or depositories for the City as may be lawfully designated from time to time by the City; subject, however, to the giving of security as now or hereafter may be required by law, and provided that such depository or depositories shall hold membership in the Federal Deposit Insurance Corporation ("FDIC") or any successor entity. All deposits shall be in the name of the City and shall be so designated as to indicate the particular fund to which the Revenues belong. Any deposit in excess of the amount insured by the FDIC shall be secured by direct or fully guaranteed obligations of the United States of America unless invested as herein authorized. Except as hereinafter provided, all payments from the respective funds shall be by check or voucher, signed by the Treasurer or by such other person or persons designated by the City Council and drawn on the depository with which the moneys in the fund shall have been deposited and each such check or voucher shall briefly specify the purpose of the expenditure.

Section 11. All Revenues shall be deposited into a special fund heretofore created and designated "Water and Sewer Revenue Fund" (the "Revenue Fund"). Revenues in the Revenue Fund are hereby pledged and shall be applied to the payment of the reasonable and necessary expenses of operation and maintenance of the System, to the payment of the principal of and interest on the bonds and other permitted System Obligations, to the maintenance of debt service reserves at required levels, to the providing of the Depreciation Fund, and otherwise as described herein.

Section 12. There shall first be paid from the Revenue Fund into a fund heretofore created and hereby redesignated as the "Water and Sewer Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), on or before the first business day of each month, an amount sufficient to pay the reasonable and necessary monthly expenses of operation, repair and maintenance of the System for such month and from which disbursements shall be made only for those purposes. Fixed annual charges such as insurance premiums and the cost of major repair and maintenance expenses may be computed and set up on an annual basis, and one-twelfth (1/12) of

the amount thereof may be paid into the Operation and Maintenance Fund each month.

If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of the deficiency shall be added to the amount otherwise required to be transferred and paid into the fund the next succeeding month. If in any fiscal year a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount necessary to meet the requirements thereof during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred into the Revenue Fund.

Section 13. After making the monthly deposit into the Operation and Maintenance Fund, there shall be paid from the Revenue Fund into a fund in the Trustee hereby created and designated "2004 Water and Sewer Revenue Bond Fund" (the "Bond Fund"), the sums in the amounts and at the times described below for the purpose of providing funds for the payment of the principal of and interest on the bonds, as they mature, with Trustee's fees, and as a Debt Service Reserve.

There shall be paid into the Bond Fund on the first business day of each month, commencing in January 2005, until all outstanding bonds, with interest thereon, have been paid in full or provision made for such payment a sum equal to 1/6 of the next installment of the interest due on the bonds and 1/12 of the next installment of principal due on the bonds; provided, however, that such payments shall be increased through May 2005 so that approximately level payments are made into the Bond Fund during that period in order to make the first interest and principal payment.

The City shall also pay into the Bond Fund such additional sums as necessary to provide for the Trustee's fees and expenses (including reasonable legal fees) and any arbitrage rebate due the United States Treasury under Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code"). The City shall receive a credit against monthly deposits into the Bond Fund from bond proceeds deposited therein, all interest earnings on moneys in the Bond Fund, transfers of moneys held in connection with the Bonds Refunded and all transfers made from the Debt Service Reserve during the preceding month.

There is hereby created, as a part of the Bond Fund, a Debt Service Reserve which shall be continuously maintained by the City in an amount equal to the maximum annual debt service requirements on the bonds or 10% of the principal amount of the bonds, whichever is lesser (the "Required Level"). If the Debt Service Reserve is reduced below the Required Level, the City's monthly payments shall be increased to 1/5 of the next installment

of interest on the bonds, plus 1/10 of the next installment of principal of the bonds until the Required Level is reached.

If for any reason there shall be a deficiency in payments made into the Bond Fund so that there are unavailable sufficient moneys therein to pay the principal of and interest on the bonds as the same become due, any sums then held in the Debt Service Reserve shall be used to the extent necessary for the payment of the principal of or interest on the bonds but the Debt Service Reserve shall be reimbursed from the Revenue Fund in the amount of any such payment as described above. The Debt Service Reserve shall be used solely as provided herein, but the moneys therein may be invested as hereinafter set forth.

If Revenues are insufficient to make the required payment on the first business day of the following month into the Bond Fund, the amount of any such deficiency in the payment made shall be added to the amount otherwise required to be paid into the Bond Fund on the first business day of the next month.

If a surplus shall exist in the Bond Fund over and above the amount required for making all principal and interest payments during the next succeeding twelve month period, and in excess of the Required Level for the Debt Service Reserve, such surplus shall, at the option of the City, either be applied to the redemption of the bonds that may be called for redemption prior to maturity, paid to the City for deposit into the Revenue Fund or used to pay any arbitrage rebate due under Section 148(f) of the Code.

When the moneys held in the Bond Fund, including the Debt Service Reserve, shall be and remain sufficient to pay the principal of and interest on all of the bonds then outstanding plus Trustee's fees and any arbitrage rebate due under Section 148(f) of the Code, the City shall not be obligated to make any further payments into the Bond Fund.

The Trustee shall withdraw from the Bond Fund on the due date for the principal and/or interest on any bond, at maturity or redemption prior to maturity, an amount equal to the amount of such bond and interest due thereon for the sole purpose of paying the same, together with the Trustee's fee and expenses. There shall also be withdrawn and paid to the United States Treasury any arbitrage rebate due at the times and in the amounts required by Section 148(f) of the Code. No withdrawal of funds from the Bond Fund shall be made for any other purpose except as otherwise authorized in this Ordinance.

The bonds shall be specifically secured by a pledge of all Revenues to be deposited into the Bond Fund. This pledge in favor of the bonds is hereby irrevocably made according to the terms of this Ordinance, and the City and its officers and

employees shall execute, perform and carry out the terms thereof in strict conformity with the provisions of this Ordinance.

Section 14. After making the required payments into the Operation and Maintenance Fund and the Bond Fund, there shall be paid from the Revenue Fund into a special fund heretofore created and hereby redesignated as the "Water and Sewer Depreciation Fund" (the "Depreciation Fund"), on or before the fifth day of each month while any of the bonds are outstanding, a sum equal to 3% of all Revenues for the then preceding month. Moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of necessary repairs or replacements made necessary by the depreciation of the System and for the purpose of paying the cost of economically justifiable extensions to the distribution facilities of the System.

If in any fiscal year a surplus shall be accumulated in the Depreciation Fund over and above the amount which shall be necessary to defray the cost of the probable replacements during the current fiscal year and the next ensuing fiscal year, such surplus may be transferred to the Revenue Fund.

Section 15. Any surplus in the Revenue Fund, after making all disbursements required by the provisions of this Ordinance and making full provision for the funds hereby provided, may be used, at the option of the City, for any other lawful municipal purpose.

Section 16. So long as any of the bonds are outstanding, the City shall not issue or attempt to issue any bonds claimed to be entitled to a priority of lien on Revenues over the lien securing the bonds. The City reserves the right to issue additional bonds to finance or pay the cost of making any future extensions, betterments or improvements to the System, or to refund obligations payable from Revenues, but the City shall not authorize or issue any such additional bonds ranking on a parity with the bonds, unless and until there have been procured and filed with the City Clerk and the Trustee a statement by an Accountant not in the regular employ of the City reciting, based upon necessary investigation, that (1) Net Revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 125% of the maximum annual principal and interest requirements on all of the then outstanding System Obligations and the additional bonds then proposed to be issued or (2) Net Revenues of the System for the fiscal year next succeeding the fiscal year in which it is proposed to issue such additional bonds, as reflected by a statement by an independent consulting engineer not in the regular employ of the City ("Consulting Engineer"), and taking into account any rate increase then in effect, will equal not less than 125% of the maximum annual principal and interest requirements on all then outstanding System Obligations and the additional bonds then

proposed to be issued. The term "Net Revenues" means gross Revenues of the System less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal water and sewer facilities, excluding depreciation, interest and amortization of deferred bond discount expenses. For the purpose of this computation, additional amounts may be added to the Net Revenues of the completed fiscal year immediately preceding the issuance of additional bonds, as follows: if, prior to the issuance of the additional bonds and subsequent to the first day of such preceding fiscal year, the City shall have increased its rates or charges imposed for services of the System, there may be added to the Net Revenues of such fiscal year the additional Net Revenues which would have been received from the operation of the System during such fiscal year had such increase been in effect throughout such fiscal year, as reflected by a certificate of a Consulting Engineer and approved by the Trustee.

The additional bonds, the issuance of which is restricted and conditioned by this Section, shall be understood to mean System Obligations ranking on a parity of security with the bonds and not System Obligations subordinate in security to the bonds.

Section 17. The bonds shall be subject to redemption prior to maturity in accordance with the terms set out in the bond form in Section 7 hereof. The City covenants and agrees to cause to be paid into the Bond Fund sufficient funds to redeem bonds subject to mandatory sinking fund redemption in the amounts and on the dates set forth in the bonds. Therefore, in calculating the monthly payments to be deposited into the Bond Fund, the term "next installment of principal" shall include the principal of the bonds maturing on the next principal payment date and the principal of the bonds which will be redeemed in accordance with the mandatory sinking fund redemption provisions of the bonds on the next interest payment date scheduled for such redemption.

The City may acquire bonds by purchase at a price not in excess of par plus accrued interest, inclusive of brokerage fees, and surrender to the Trustee any bonds so acquired, in exchange for which the City shall receive a credit under this Ordinance in an amount equal to the principal amount of the bonds so acquired and surrendered, for and of the then next date for mandatory sinking fund redemption of bonds of the same maturity.

Section 18. The City shall cause proper books of accounts and records to be kept (separate from all other records and accounts) in which complete and correct entries shall be made of all transactions relating to the operation of the System, and such books shall be available for inspection by the registered owner of any of the bonds at reasonable times and under reasonable circumstances. The City agrees to have these records audited by an

Accountant at least once each year, and a copy of the audit shall be delivered to the Trustee and made available to the registered owners of the bonds requesting the same in writing. In the event that the City fails or refuses to make the audit, the Trustee or any registered owner of the bonds, may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

Section 19. The City covenants and agrees that it will maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. While any of the bonds are outstanding, the City agrees that it will insure and at all times keep insured, in the amount of the full insurable value thereof, in a responsible insurance company or companies authorized and qualified under the laws of the State to assume the risk thereof, properties of the System, to the extent that such properties would be covered by insurance by private companies engaged in similar types of businesses against loss or damage thereto from fire and other perils included in extended coverage insurance in effect in the State. The insurance policies are to carry a clause making them payable to the Trustee as its interest may appear, and satisfactory evidence of said insurance shall be filed with the Trustee. In the event of loss, the proceeds of such insurance shall be applied solely toward the reconstruction, replacement or repair of the System, and in such event the City will, with reasonable promptness, cause to be commenced and completed the reconstruction, replacement and repair work. If such proceeds are more than sufficient for such purposes, the balance remaining shall be deposited to the credit of the Revenue Fund, and if such proceeds shall be insufficient for such purposes the deficiency shall be supplied first from moneys in the Depreciation Fund and second from moneys in the Operation and Maintenance Fund and third from surplus moneys in the Revenue Fund. Nothing shall be construed as requiring the City to expend any moneys for the operation and maintenance of the System or for premiums on its insurance which are derived from sources other than the operation of the System, but nothing shall be construed as preventing the City from doing so.

Section 20. Any bond shall be deemed to be paid within the meaning of this Ordinance when payment of the principal of and interest on such bond (whether at maturity or upon redemption as provided herein, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment, (1) cash fully insured by the FDIC sufficient to make such payment and/or (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America ("Government Securities") (provided that such deposit will not affect the tax exempt status of the interest on any of the bonds or cause any of

the bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code), maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee pertaining thereto shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

On the payment of any bonds within the meaning of this Ordinance, the Trustee shall hold in trust, for the benefit of the owners of such bonds, all such moneys and/or Government Securities.

When all the bonds shall have been paid within the meaning of this Ordinance, if the Trustee has been paid its fees and expenses and if any arbitrage rebate due the United States Treasury has been paid or provided for to the satisfaction of the Trustee, the Trustee shall take all appropriate action to cause (i) the pledge and lien of this Ordinance to be discharged and cancelled, and (ii) all moneys held by it pursuant to this Ordinance and which are not required for the payment of such bonds to be paid over or delivered to or at the direction of the City. In determining the sufficiency of the deposit of Government Securities there shall be considered the principal amount of such Government Securities and interest to be earned thereon until the maturity of such Government Securities.

Section 21. If there be any default in the payment of the principal of or interest on any of the bonds, or if the City defaults in any Bond Fund requirement or in the performance of any of the other covenants contained in this Ordinance, the Trustee may, and upon the written request of the registered owners of not less than 10% in principal amount of the then outstanding bonds, shall, by proper suit, compel the performance of the duties of the officials of the City under the laws of Arkansas. And in the case of a default in the payment of the principal of and interest on any of the bonds, the Trustee may, and upon written request of the registered owners of not less than 10% in principal amount of the then outstanding bonds shall, apply in a proper action to a court of competent jurisdiction for the appointment of a receiver to administer the System on behalf of the City and the registered owners of the bonds with power to charge and collect (or by mandatory injunction or otherwise to cause to be charged and collected) rates sufficient to provide for the payment of the expenses of operation, maintenance and repair and to pay any bonds and interest outstanding and to apply the Revenues in conformity with the laws of Arkansas and with this Ordinance. When all defaults in principal and interest payments have been cured, the custody and operation of the System shall revert to the City.

No registered owner of any of the outstanding bonds shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of

any power or right unless such owner previously shall have given to the Trustee written notice of the default on account of which such suit, action or proceeding is to be taken, and unless the registered owners of not less than 10% in principal amount of the bonds then outstanding shall have made written request of the Trustee after the right to exercise such power or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted to the Trustee, or to institute such action, suit or proceeding in its name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the execution of any remedy. No one or more registered owners of the bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Ordinance, or to enforce any right hereunder except in the manner herein described. All proceedings at law or in equity shall be instituted, had and maintained in the manner herein described and for the benefit of all registered owners of the outstanding bonds.

No remedy conferred upon or reserved to the Trustee or to the registered owners of the bonds is intended to be exclusive of any other remedy or remedies, and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Ordinance or by law.

The Trustee may, and upon the written request of the registered owners of not less than 50% in principal amount of the bonds then outstanding shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted under the provisions of this Ordinance or before the completion of the enforcement of any other remedy, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

All rights of action under this Ordinance or under any of the bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the bonds, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the registered owners of such bonds, subject to the provisions of this Ordinance.

No delay or omission of the Trustee or of any registered owners of the bonds to exercise any right or power accrued upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein; and every power and remedy given by this Ordinance to the Trustee and

to the registered owners of the bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

In any proceeding to enforce the provisions of this Ordinance any plaintiff bondholder shall be entitled to recover from the City all costs of such proceeding, including reasonable attorneys' fees.

Section 22. (a) The terms of this Ordinance shall constitute a contract between the City and the registered owners of the bonds and no variation or change in the undertaking herein set forth shall be made while any of the bonds are outstanding, except as hereinafter set forth in subsections (b) and (c).

(b) The Trustee may consent to any variation or change in this Ordinance to cure any ambiguity, defect or omission in this Ordinance or any amendment hereto or any other change that the Trustee determines is not, in the Trustee's opinion, materially adverse to the interest of the owners of the bonds without the consent of the owners of the bonds then outstanding.

(c) The owners of not less than 75% in aggregate principal amount of the bonds then outstanding shall have the right, from time to time, anything contained in this Ordinance to the contrary notwithstanding, to consent to and approve the adoption by the City of such ordinance supplemental hereto as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Ordinance or in any supplemental ordinance; provided, however, that nothing contained in this Section shall permit or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any bond, or (b) a reduction in the principal amount of any bond or the rate of interest thereon, or (c) the creation of a lien or pledge superior to the lien and pledge created by this Ordinance, or (d) a privilege or priority of any bond or bonds over any other bond or bonds, or (e) a reduction in the aggregate principal amount of the bonds required for consent to such supplemental ordinance.

Section 23. When the bonds have been executed, they shall be authenticated by the Trustee and the Trustee shall deliver the bonds to or at the direction of the Purchaser upon payment of the Purchase Price. The accrued interest shall be deposited into the Bond Fund. The expenses of issuing the bonds shall be paid from the Purchase Price. The sum necessary from the Purchase Price to fund the Debt Service Reserve at the Required Level shall be deposited into the Debt Service Reserve in the Bond Fund. The amount necessary from the Purchase Price to refund the Series 1995 Bonds shall be deposited with the trustee for the owners of the Series 1995 Bonds. The amount necessary from the Purchase Price to refund the Series 2000 Bonds shall be deposited into an escrow

account with the trustee for the owners of the Series 2000 Bonds. The remainder of the Purchase Price shall be deposited into a special account in the name of the City designated "Cost of Issuance Fund, Series 2004" (the "Cost of Issuance Fund") in the Trustee. The moneys in the Cost of Issuance Fund shall be disbursed solely in payment of the costs of accomplishing the Refunding, paying necessary expenses incidental thereto, and paying expenses of issuing the bonds. Disbursements shall be on the basis of requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. Each requisition must be signed by the Mayor. The Trustee shall be required to keep accurate records as to all payments made on the basis of requisitions.

When all required expenses have been paid and expenditures made from the Cost of Issuance Fund for and in connection with the accomplishment of the Refunding and the issuance of the bonds, this fact shall, if there are moneys on hand in the Cost of Issuance Fund, be evidenced by a certificate signed by the Mayor, which certificate shall state, among other things, that all obligations payable from the Cost of Issuance Fund have been discharged. A copy of the certificate shall be filed with the Trustee, and upon receipt thereof, the Trustee shall remit any remaining balance to the City for deposit into the Bond Fund.

Section 24. There shall be a statutory mortgage lien upon the water facilities which are part of the System (including all extensions, improvements and betterments now or hereafter existing) which shall exist in favor of the owners of the bonds, and each of them and such water facilities shall remain subject to such statutory mortgage lien until payment in full of the interest on and principal of the bonds, provided, however, that such statutory mortgage lien shall be interpreted according to the decision of the Supreme Court of the State in City of Harrison v. Braswell, supra.

Section 25. (a) The City covenants that it shall not take any action or suffer or permit any action to be taken or conditions to exist which causes or may cause the interest payable on the bonds to be included in gross income for federal income tax purposes. Without limiting the generality of the foregoing, the City covenants that the proceeds of the sale of the bonds and Revenues will not be used directly or indirectly in such manner as to cause the bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code.

(b) The City shall assure that (i) not in excess of 10% of the Net Proceeds of the bonds is used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the bonds during the term thereof is, under the terms of the bonds or any underlying arrangement,

directly or indirectly secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the City, in respect of property or borrowed moneys used or to be used for a Private Business Use; and (ii) that, in the event that both (A) in excess of 5% of the Net Proceeds of the bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the bonds during the term thereof is, under the terms of the bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the City, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the improvements financed by the Bonds Refunded.

The City shall assure that not in excess of 5% of the Net Proceeds of the bonds are used, directly or indirectly, to make or finance a loan to persons other than state or local governmental units.

As used in this subsection (b), the following terms shall have the following meanings:

"Net Proceeds" means the face amount of the bonds, plus accrued interest and premium, if any, less original issue discount, if any, less the amount of bond proceeds, if any, deposited into the Debt Service Reserve.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

The City covenants that it will not enter into wholesale water contracts in the future with non-governmental entities or modify existing wholesale water contracts with non-governmental entities for the sale of water if such contracts or modifications of existing contracts would cause the bonds to become "private activity bonds" within the meaning of Section 141 of the Code.

(c) The bonds are hereby designated as "qualified tax-exempt obligations" within the meaning of the Code. The City represents that the aggregate principal amount of its qualified tax-exempt obligations (excluding "private activity bonds" within the meaning of Section 141 of the Code which are not "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code),

including those of its subordinate entities, issued in calendar year 2004 will not exceed $10,000,000.

(d) The City covenants that it will take no action which would cause the bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code. Nothing in this Section shall prohibit investments in bonds issued by the United States Treasury.

(e) The City covenants that it will submit to the Secretary of the Treasury of the United States, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the bonds are issued, a statement required by Section 149(e) of the Code.

(f) The City covenants that it will, in compliance with the requirements of Section 148(f) of the Code, pay with moneys in the Bond Fund to the United States Government in accordance with the requirements of Section 148(f) of the Code, from time to time, an amount equal to the sum of (1) the excess of (A) the amount earned on all Non-purpose Investments (as therein defined) attributable to the bonds, other than investments attributable to such excess over (B) the amount which would have been earned if such Non-purpose Investments attributable to the bonds were invested at a rate equal to the Yield (as defined in the Code) on the bonds, plus (2) any income attributable to the excess described in (1), subject to the exceptions set forth in Section 148 of the Code. The City further covenants that in order to assure compliance with its covenants herein, it will employ a qualified consultant to advise the City in making the determination required to comply with this subsection. Anything herein to the contrary notwithstanding, the City need not comply with this provision if in the opinion of Bond Counsel filed with the Trustee, the failure to comply would not affect the tax-exempt status of interest on the bonds for federal income tax purposes.

Section 26. (a) Moneys held for the credit of the Bond Fund (including the Debt Service Reserve) shall be continuously invested and reinvested pursuant to the direction of the City, or in the absence of such direction by the Trustee its discretion, in (1) direct or fully guaranteed obligations of the United States of America (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) ("Government Obligations") or (2) time deposits or certificates of deposit of banks, including the Trustee, which are insured by FDIC, or if in excess of insurance coverage, collateralized with Government Obligations or other obligations authorized by State law to secure public funds (collectively, "Permitted Investments"), all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, as follows: not later than five (5) years after the date of investment or the final maturity date of the bonds,

whichever is earlier, for Debt Service Reserve investments; and not later than the date such funds will be needed for the payment of the principal of and interest on the bonds when due, for other moneys in the Bond Fund.

(b) Moneys held for the credit of any other fund may be invested and reinvested pursuant to the direction of the City in Permitted Investments, or other investments as may, from time to time, be permitted by law, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when such money will be required for purposes intended.

(c) Obligations so purchased as an investment of moneys in any fund shall be deemed at all times to be a part of such fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund, except that interest earnings and profits on investments of moneys in the Debt Service Reserve in the Bond Fund which increase the amount thereof above the Required Level shall to the extent of any such excess be transferred from time to time out of the Debt Service Reserve into the Bond Fund and used as a credit against the monthly Bond Fund payments due.

(d) Moneys so invested in Government Obligations or in certificates of deposit of banks to the extent insured by FDIC, need not be secured by the Trustee or the depository bank or banks.

(e) All investments and deposits shall have a par value (or market value when less than par), exclusive of accrued interest at all times at least equal to the amount of money credited to such funds and shall be made in such a manner that the money required to be expended from any fund will be available at the proper time or times.

(f) Investments of moneys in all funds shall be valued in terms of current market value as of the last day of each year, except that direct obligations of the United States (State and Local Government Series) in book-entry form shall be continuously valued at par or face principal amount.

(g) All investments and reinvestments made shall be subject to the provisions of Section 148 of the Code pertaining to "arbitrage bonds", including, particularly, the provisions requiring that certain investment earnings be rebated to the United States Treasury.

Section 27. (a) The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The recitals in this Ordinance and in the face of the bonds are the recitals of the City and not of the

Trustee. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the registered owners of not less than 10% in principal amount of the bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by giving 60 days' notice in writing to the City Clerk and to the registered owners of the bonds, and the majority in value of the registered owners of the outstanding bonds or the City, so long as it is not in default under this Ordinance, at any time, with or without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, the City shall forthwith designate a new Trustee by a written instrument filed in the office of the City Clerk. The original Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trust imposed upon it or them by this Ordinance, but only upon the terms and conditions set forth in this Ordinance and subject to the provisions of this Ordinance, to all of which the respective registered owners of the bonds agree. Such written acceptance shall be filed with the City Clerk and a copy thereof shall be placed in the bond transcript. Any successor Trustee shall have all the powers herein granted to the original Trustee.

(b) Every successor Trustee appointed pursuant to this Section shall be a trust company or bank in good standing, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than $5,000,000.

(c) Any resignation by the Trustee shall not be effective until the appointment of a successor Trustee under this Section.

Section 28. In the event the office of Mayor, City Clerk, City Treasurer, or City Council shall be abolished, or any two or more of such offices shall be merged or consolidated, or in the event the duties of a particular office shall be transferred to another office or officer, or in the event of a vacancy in any such office by reason of death, resignation, removal from office or otherwise, or in the event any such officer shall become incapable of performing the duties of his office by reason of sickness, absence from the City or otherwise, all powers conferred and all obligations and duties imposed upon such office or officer shall be performed by the office or officer succeeding to the principal functions thereof, or by the office or officer upon whom such powers, obligations and duties shall be imposed by law.

Section 29. All moneys in the 1995 Water and Sewer Revenue Bond Fund maintained in connection with the Series 1995 Bonds, including the Reserve Account therein, are hereby

appropriated and shall be used as necessary to refund the Series 1995 Bonds, with any balance to be transferred to the Bond Fund.

Section 30. All moneys in the 2000 Water and Sewer Revenue Bond Fund maintained in connection with the Series 2000 Bonds, including the Reserve Account therein, are hereby appropriated and shall be used as necessary to refund the Series 2000 Bonds, with any balance to be transferred to the Bond Fund.

Section 31. The Disclosure Agreement, in substantially the form submitted to this meeting, is approved, and the Mayor is hereby authorized and directed to execute and deliver the Disclosure Agreement on behalf of the City. The Mayor is authorized and directed to take all action required on the part of the City to fulfill the City's obligations under the Disclosure Agreement.

Section 32. The provisions of this Ordinance are hereby declared to be separable and if any provision shall for any reason be held illegal or invalid, such holding shall not affect the validity of the remainder of this Ordinance.

Section 33. All ordinances and resolutions or parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

Section 34. It is hereby ascertained and declared that the Refunding must be accomplished as soon as possible in order to lower the interest cost on System Obligations. The Refunding cannot be accomplished without the issuance of the bonds, and therefore, it is declared that an emergency exists and this Ordinance being necessary for the preservation of the public peace, health and safety shall be in force and take effect immediately upon and after its passage.

PASSED: November 4, 2004.

APPROVED:

ATTEST:

City Clerk

(SEAL)

Mayor

Atkins, Arkansas

Water and Sewer Revenue Refunding Bonds

Series 2004

Gross Debt Service Comparison

Date	Principal	Coupon	Interest	New D/S	OLD D/S	Savings
06/01/2005	10,000.00	1.800%	47,731.88	52,652.20	138,113.96	85,461.76
06/01/2006	95,000.00	2.125%	95,283.76	190,283.76	318,615.00	128,331.24
06/01/2007	90,000.00	2.500%	93,265.00	183,265.00	319,115.00	135,850.00
06/01/2008	100,000.00	2.750%	91,015.00	191,015.00	258,927.50	67,912.50
06/01/2009	100,000.00	3.000%	88,265.00	188,265.00	196,240.00	7,975.00
06/01/2010	105,000.00	3.250%	85,265.00	190,265.00	196,230.00	5,965.00
06/01/2011	105,000.00	3.400%	81,852.50	186,852.50	200,942.50	14,090.00
06/01/2012	110,000.00	3.600%	78,282.50	188,282.50	200,067.50	11,785.00
06/01/2013	115,000.00	3.750%	74,322.50	189,322.50	198,930.00	9,607.50
06/01/2014	120,000.00	3.850%	70,010.00	190,010.00	197,130.00	7,120.00
06/01/2015	125,000.00	3.950%	65,390.00	190,390.00	200,047.50	9,657.50
06/01/2016	130,000.00	4.000%	60,452.50	190,452.50	197,395.00	6,942.50
06/01/2017	135,000.00	4.100%	55,252.50	190,252.50	199,366.26	9,113.76
06/01/2018	140,000.00	4.200%	49,717.50	189,717.50	195,522.50	5,805.00
06/01/2019	145,000.00	4.300%	43,837.50	188,837.50	196,386.26	7,548.76
06/01/2020	150,000.00	4.350%	37,602.50	187,602.50	196,651.26	9,048.76
06/01/2021	160,000.00	4.450%	31,077.50	191,077.50	46,331.26	(144,746.24)
06/01/2022	165,000.00	4.550%	23,957.50	188,957.50	44,187.50	(144,770.00)
06/01/2023	170,000.00	4.700%	16,450.00	186,450.00	42,043.76	(144,406.24)
06/01/2024	180,000.00	4.700%	8,460.00	188,460.00	44,900.00	(143,560.00)
06/01/2025	-	-	-	-	42,450.00	42,450.00
Total	$2,450,000.00	-	$1,197,490.64	$3,642,410.96	$3,629,592.76	(12,818.20)

PV Analysis Summary (Gross to Gross)

Gross PV Debt Service Savings	315,582.19
Accrued Interest Credit to Debt Service Fund	3,977.66
Transfers from Prior Issue Debt Service Fund	(110,636.04)
Transfers from Prior Issue DSR Fund	(310,142.66)
Amount deposited into new DSR Fund	191,077.50
Contingency or Rounding Amount	1,102.02
Net Present Value Benefit	$90,960.67
Net PV Benefit / $2,490,000 Refunded Principal	3.653%
Net PV Benefit / $2,450,000 Refunding Principal	3.713%

Refunding Bond Information

Refunding Dated Date	12/01/2004
Refunding Delivery Date	12/16/2004