ORDINANCE NO. 88-3

AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF WATER AND SEWER REVENUE REFUNDING BONDS BY THE CITY OF ATKINS, ARKANSAS; 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 and operates a waterworks and sewer system as a single, integrated municipal undertaking (the "System"); and

WHEREAS, the City's Water and Sewer Commission (the "Commission") and the City Council have determined that in order to achieve interest savings, it is in the best interest of the City to refund the City's outstanding Sewer System Revenue Improvement Bonds, dated October 3, 1974 and Waterworks System Revenue Improvement Bonds, dated October 1, 1975 (the "Bonds Refunded"); and

WHEREAS, the City does not have available funds to undertake the refunding of the Bonds Refunded (the "refunding"), but can obtain the necessary funds for the refunding, for paying the costs of authorizing and issuing bonds and for establishing a debt service reserve (1) by the issuance and sale of Water and Sewer Revenue Refunding Bonds, Series 1988, in the principal amount of $660,000 (the "Series 1988 Bonds") and (2) from available funds of the City; and

WHEREAS, there are outstanding City of Atkins, Arkansas Waterworks and Sewer System Revenue Improvement Bond, Series A, dated February 28, 1973 (the "1973A Bond"), issued under the authority of Ordinance No. 310 of the City duly adopted and passed January 8, 1973, as amended by Ordinance No. 87-7, duly adopted and passed April 20, 1987 ("Ordinance No. 310"); City of Atkins, Arkansas Waterworks and Sewer System Revenue Improvement Bond, Series B, dated February 28, 1973 (the "1973B Bond"), issued under the authority of Ordinance No. 311 of the City duly adopted and passed January 8, 1973, as amended by Ordinance No. 87-7, duly adopted and passed April 20, 1987 ("Ordinance No. 311"); City of Atkins, Arkansas Water and Sewer Revenue Bonds, Series 1987A, dated June 1, 1987 (the "1987A Bonds"), issued under the authority of Ordinance No. 87-8 of the City duly adopted and passed April 20, 1987, as supplemented by Ordinance No. 87-9, duly adopted and passed June 2, 1987 and as amended by Ordinance No. 87-10 of the City duly adopted and passed on July 10, 1987 ("Ordinance No. 87-8"); and City of

Atkins, Arkansas Water and Sewer Revenue Bonds, Series 1987B, dated June 1, 1987 (the "1987B Bonds"), issued under the authority of Ordinance No. 87-8 (the 1973A Bond, the 1973B Bond, the 1987A Bonds and the 1987B Bonds are herein collectively called the "Prior Bonds"); and

WHEREAS, the City has obtained the certificate of an independent certified public accountant that conditions precedent to the issuance of parity bonds set forth in Ordinance No. 310, Ordinance No. 311 and Ordinance No. 87-8 have been complied with; and

WHEREAS, the City has made arrangements for the sale of $660,000 in aggregate principal amount of Series 1988 Bonds to T.J. Raney & Sons, Inc., Little Rock, Arkansas (the "Purchaser"), at a price of 97% of par plus accrued interest pursuant to a Bond Purchase Agreement (the "Agreement") which has been presented to and is before this meeting; and

WHEREAS, the Prior Bonds, the Series 1988 Bonds and any additional bonds issued on a parity of security therewith shall hereinafter collectively be referred to as the "Water and Sewer Revenue Bonds";

NOW, THEREFORE, BE IT ENACTED BY THE CITY COUNCIL OF THE CITY OF ATKINS, ARKANSAS:

Section 1. That the refunding be accomplished. The Mayor and City Clerk are hereby authorized to take or cause to be taken all action necessary to accomplish the refunding. The City Council hereby finds and declares that the period of usefulness of the System will be more than forty (40) years, which is longer than the term of the Series 1988 Bonds.

Section 2. That the offer of the Purchaser for the purchase of $660,000 in principal amount of Series 1988 Bonds from the City at a price of 97% of par and accrued interest for Series 1988 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 Agreement, in substantially the form submitted to this meeting, is approved and confirmed and the bonds are hereby sold to the Purchaser. The Mayor is hereby authorized and directed to execute and deliver the Agreement on behalf of the City and to take all action required on the part of the City to fulfill its obligations under the Agreement.

Section 3. That under the authority of the Constitution and laws of the State of Arkansas, including particularly particularly Title 14, Chapter 234, Subchapter 2 of the Arkansas

Code of 1987 Annotated, Title 14, Chapter 164, Subchapter 4 of the Arkansas Code of 1987 Annotated, Title 14, Chapter 235, Subchapter 2 of the Arkansas Code of 1987 Annotated and applicable decisions of the Supreme Court of the State of Arkansas, including particularly City of Harrison v. Braswell, 209 Ark. 1094, 194 S.W. 2d 12 (1946), City of Atkins, Arkansas Water and Sewer Revenue Refunding Bonds, Series 1988, are hereby authorized in the total principal amount of Six Hundred Sixty Thousand Dollars ($660,000), the proceeds of the sale of which are necessary to provide sufficient funds, together with other funds available, to pay the cost of accomplishing the refunding and necessary expenses incidental thereto and to the issuance of the Series 1988 Bonds and to establish a debt service reserve. The Series 1988 Bonds shall be issued in fully registered form without interest coupons, and payment of interest shall be by check or draft mailed to the registered owners thereof as of the applicable record date. The principal of the Series 1988 Bonds shall be payable to the registered owners thereof at the principal corporate trust office of First National Bank of Russellville, Russellville, Arkansas, as Trustee and Paying Agent (the "Trustee").

The Series 1988 Bonds shall mature on June 1 in the years and in the amounts and shall bear interest, payable semiannually on June 1 and December 1 of each year, commencing December 1, 1988, as follows:

Year (June 1)	Amount	Interest Rate
1989	$ 15,000	5.25%
1990	20,000	5.50%
1991	20,000	5.75%
1992	20,000	6.00%
1993	20,000	6.20%
1994	20,000	6.40%
1995	25,000	6.60%
1996	25,000	6.80%
1997	25,000	7.00%
1998	30,000	7.10%
1999	30,000	7.20%
2000	35,000	7.30%
2001	35,000	7.40%
2002	40,000	7.50%
2003	40,000	7.60%
2004	45,000	7.70%
2005	50,000	7.80%
2006	50,000	7.90%
2007	55,000	8.00%
2008	60,000	8.00%

The Series 1988 Bonds shall be numbered consecutively as issued beginning with number one (1) and shall be in denominations of $5,000 and integral multiples thereof. The Series 1988 Bonds shall be executed on behalf of the City by the Mayor and City Clerk and shall have imprinted thereon a facsimile of the seal of the City. The facsimile signatures of the Mayor and the City Clerk may be used upon compliance with the provisions of Title 21, Chapter 10 of the Arkansas Code of 1987 Annotated, and shall have the same force and effect as if they had personally signed the Series 1988 Bonds. In case the person holding the office of Mayor or City Clerk, whose signature or a facsimile of whose signature shall appear on the Series 1988 Bonds, shall cease to be such officer before the delivery of the Series 1988 Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery of the Series 1988 Bonds. The principal of and interest on the Series 1988 Bonds are secured by and payable solely out of the revenues of the System, which System revenues are hereby pledged and mortgaged for the equal and ratable payment of the principal of and premium, if any, and interest on the Series 1988 Bonds. The pledge of System revenues is and shall be on a parity of lien, pledge and security with the Prior Bonds, and the Series 1988 Bonds shall be deemed to be "Water and Sewer Revenue Bonds" within the meaning of Ordinance No. 87-8. The principal of and interest

on the Series 1988 Bonds shall not constitute an indebtedness of the City within any constitutional or statutory debt limitation or restriction.

Only such Series 1988 Bonds as shall have endorsed thereon a Certificate of Authentication substantially in the form set forth in Section 4 hereof duly executed by the Trustee shall be entitled to any right or benefit hereunder. No Series 1988 Bond shall be valid and obligatory for any purpose unless and until such Certificate of Authentication shall have been duly executed by the Trustee, and such certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered hereunder. The Trustee's Certificate of Authentication on any Series 1988 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 of Authentication on all of the Series 1988 Bonds.

In case any Series 1988 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 Series 1988 Bond of like date, number, maturity, and tenor in exchange and substitution for and upon cancellation of such mutilated Series 1988 Bond, or in lieu of and in substitution for such Series 1988 Bond destroyed or lost, upon the owner's paying the reasonable expenses and charges of the City and Trustee in connection therewith, and, in the case of a Series 1988 Bond destroyed or lost, his or her filing with the Trustee evidence satisfactory to it that such Series 1988 Bond was destroyed or lost, and of his or her ownership thereof, and furnishing the City and Trustee with indemnity satisfactory to them. The Trustee is hereby authorized to authenticate any such new Series 1988 Bond. In the event any such Series 1988 Bond shall have matured, instead of issuing a new Series 1988 Bond, the City may pay the same without the surrender thereof. Upon the issuance of a new Series 1988 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 to be kept for the registration and for the transfer of the Series 1988 Bonds as provided herein and in the Series 1988 Bonds. The Trustee shall act as the bond registrar. Each Series 1988 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 Series 1988 Bond or Bonds

of the same series, maturity, and interest rate, 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 Series 1988 Bond for the privilege of transfer or exchange, but any owner of any Series 1988 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 Series 1988 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 person in whose name any Series 1988 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 of or premium, if any, or interest on any Series 1988 Bond shall be made only to or upon the order of the registered owner thereof or his or her 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. Neither the City nor the Trustee shall be affected by any notice to the contrary.

In any case where the date of maturity of interest on or principal of the Series 1988 Bonds or the date fixed for redemption of any Series 1988 Bonds shall be a Saturday or Sunday or shall be in the State of Arkansas 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 not a Saturday or Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close 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 4. That the Series 1988 Bonds shall be in substantially the following form and the Mayor and City Clerk are hereby authorized and directed to make all recitals contained therein:

(FRONT OF SERIES 1988 BOND)

REGISTERED
NO. _____

REGISTERED
$_____

UNITED STATES OF AMERICA
STATE OF ARKANSAS
COUNTY OF POPE
CITY OF ATKINS
WATER AND SEWER REVENUE REFUNDING BOND
SERIES 1988

Interest Rate: ____% Maturity Date: _____ Interest Commencement Date: _____
Registered Owner: _____
Principal Amount: _____
CUSIP NO. _____

KNOW ALL MEN BY THESE PRESENTS:

That the City of Atkins, County of Pope, State of Arkansas (the "City"), hereby acknowledges itself to owe, and for value received promises to pay to the order of the Registered Owner shown above, or registered assigns, but solely from the special fund provided therefor as hereinafter set forth, in lawful money of the United States of America, upon the presentation and surrender of this bond, the Principal Amount shown above on the Maturity Date shown above, and to pay in like coin or currency interest thereon at the Interest Rate shown above from the Interest Commencement Date shown above until paid, such interest to be payable semiannually on the first day of June and December of each year, commencing on the semiannual interest payment date next succeeding the Interest Commencement Date, payable by check or draft of First National Bank of Russellville (the "Trustee"), mailed to the Registered Owner hereof as of the applicable Record Date (as defined in the reverse hereof). Principal of this bond is hereby made payable to the Registered Owner at the office of the Trustee in Russellville, Arkansas.

This bond is part of an issue of Water and Sewer Revenue Refunding Bonds, Series 1988 (the "bonds"), aggregating Six Hundred Sixty Thousand Dollars ($660,000), and are issued for the purpose of refunding the City's outstanding Sewer System Revenue Improvement Bond, dated October 3, 1974 and Waterworks System Revenue Improvement Bond, dated October 1, 1975, paying costs incidental thereto and to the issuance of the bonds and establising a debt service reserve.

The bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Arkansas, including particularly Title 14, Chapter 234, Subchapter 2 of the Arkansas Code of 1987 Annotated, Title 14, Chapter 164, Subchapter 4 of the Arkansas Code of 1987 Annotated, Title 14, Chapter 235, Subchapter 2 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) (the "Authorizing Legislation"), and pursuant to Ordinance No. _____ of the City Council of the City, duly adopted and approved on the ____ day of May, 1988 (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 water and sewer (combined) system (the "System").

[REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH HAVE THE SAME EFFECT AS IF SET FORTH IN THIS PLACE.]

This bond shall not be valid 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 THE INTERNAL REVENUE CODE OF 1986.

IN WITNESS WHEREOF, the City of Atkins, Arkansas has caused this bond to be executed in its name by the facsimile signatures of its Mayor and City Clerk, with the seal of the City imprinted hereon, all as of the first day of June, 1988.

CITY OF ATKINS, ARKANSAS

By [Facsimile Signature]
Mayor

ATTEST:

[Facsimile Signature]
City Clerk

(FACSIMILE SEAL)

(Form of Trustee's Certificate)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds designated Series 1988 in and issued under the provisions of the within mentioned Authorizing Ordinance.

FIRST NATIONAL BANK OF
RUSSELLVILLE
Russellville, Arkansas
TRUSTEE

By _____
Authorized Signature

[REVERSE OF BOND]

CITY OF ATKINS, ARKANSAS
WATER AND SEWER REVENUE REFUNDING BOND, SERIES 1988

FURTHER PROVISIONS

The bonds are issued on a parity of security with the City's (i) Waterworks and Sewer System Revenue Improvement Bond, Series A, dated February 28, 1973, issued under the authority of Ordinance No. 310 of the City duly adopted and passed January 8, 1973, as amended by Ordinance No. 87-7, duly adopted and passed April 20, 1987 ("Ordinance No. 87-7"); (ii) Waterworks and Sewer System Revenue Improvement Bond, Series B, dated February 28, 1973, issued under the authority of Ordinance No. 311 of the City duly adopted and passed January 8, 1973, as amended by Ordinance No. 87-7; (iii) Water and Sewer Revenue Bonds, Series 1987A, dated June 1, 1987, issued under the authority of Ordinance No. 87-8 of the City duly adopted and passed April 20, 1987, as supplemented by Ordinance No. 87-9 duly adopted and passed June 2, 1987 and as amended by Ordinance No. 87-10, duly adopted and passed July 10, 1987 ("Ordinance No. 87-8"); and (iv) Water and Sewer Revenue Bonds, Series 1987B, dated June 1, 1987, issued under the authority of Ordinance No. 87-8.

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 1988 Water and Sewer Revenue Bond Fund created by the Authorizing Ordinance. Reference is made to the Authorizing Ordinance for a detailed statement of the nature and extent of security, the rights and obligations of the City, the Trustee, and registered owners of the bonds, the terms and conditions upon which additional bonds may be issued on a parity of security with the bonds of this issue, and the terms and conditions upon which the bonds are issued, including without limitation the covenant of the City to maintain rates for water and sewer services which shall be sufficient to produce revenues adequate for the payment of the expenses of operation and maintenance of the System, to provide for the payment of the principal of and premium, if any, and interest on the bonds and all other outstanding bonds to which revenues of the System are pledged, as the same become due, and Trustee's and Paying Agent's fees, to establish and maintain a debt service reserve, and to make the required deposit into the Depreciation Fund.

The bonds are subject to redemption prior to maturity in whole or in part, at the option of the City, in inverse order of maturity (and by lot within a maturity in such manner as the

Trustee may determine) from funds from any source on any interest payment date on and after June 1, 1998 at redemption prices (expressed as percentages of the principal amount of the bonds being redeemed), set forth in the table below, plus accrued interest to the date of redemption:

Redemption Dates	Redemption Prices
June 1, 1998 and December 1, 1998	102-½%
June 1, 1999 and December 1, 1999	102%
June 1, 2000 and December 1, 2000	101-½%
June 1, 2001 and December 1, 2001	101%
June 1, 2002 and December 1, 2002	100-½%
June 1, 2003 and thereafter	100%

In case any outstanding bond is in a denomination greater than $5,000, each $5,000 of face value of such bond shall be treated as a separate bond of the denomination of $5,000.

In the event any of the bonds or portions thereof are called for redemption as aforesaid, notice thereof, identifying the bonds or portions thereof to be redeemed will be given by mailing a copy of the redemption notice by first class mail at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption to the Registered Owner of each bond to be redeemed as of the applicable Record Date at the address shown on the registration books. Failure to give any such notice by mailing, or any defect therein, shall not affect the validity of any proceeding for the redemption of any bond with respect to which no such failure has occurred. All bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date provided funds for their redemption are on deposit at the place of payment at that time.

Any notice mailed as provided in the preceding paragraph shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives the notice.

This bond is transferable by the Registered Owner hereof in person or by his or her attorney duly authorized, only upon the books of the City kept for that purpose at the office of the Trustee, upon surrender of this bond together with a written instrument of transfer in form and with guaranty of signature satisfactory to the Trustee duly executed by the Registered Owner or his or her duly authorized attorney. Upon such transfer, a new bond or bonds in the same aggregate principal amount will be issued to the transferee in exchange therefor as provided in the Authorizing Ordinance, and upon

payment of the charges therein prescribed. The City and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof (whether or not this bond shall be overdue) for the purpose of receiving payment of, or on account of, principal hereof and premium, if any, and interest due hereon and for all other purposes.

The bonds are issuable as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges provided in the Authorizing Ordinance, the Registered Owner of any bond or bonds may surrender the same (together with a written instrument of transfer and guaranty of signature satisfactory to the Trustee duly executed by the Registered Owner or his or her duly authorized attorney) in exchange for a like aggregate principal amount of bonds of other authorized denominations of the same maturity.

The Trustee shall not be required to transfer or exchange any bond during any period which begins on a Record Date (as hereinafter defined) for such bond and ends on the next succeeding interest payment date or redemption date, as the case may be. "Record Date" means (i) the 15th calendar day of the month next preceding any interest payment date of such bond; or (ii) the date of the mailing of notice calling such bond or portion thereof for redemption as herein provided.

This bond is expressly made negotiable under the Authorizing Legislation and is issued with the intent that the laws of the State of Arkansas will govern its construction.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on any of the bonds or for any claim based thereon or upon any obligation, covenant, or agreement contained in the bonds or the Authorizing Ordinance against any past, present, or future alderman, director, officer, or employee of the City, or any incorporator, member, commissioner, director, trustee, officer, or employee of any successor of the City, as such, either directly or through the City or any successor of the City, under any rule of law or equity, statute, or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such alderman, incorporator, member, commissioner, director, trustee, officer, or employee as such is hereby expressly waived and released as a condition of and consideration for the issuance of any of the bonds.

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 this bond 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 of this issue does not exceed or violate 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.

(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 firm of the New York Stock Exchange or a commercial bank or a trust company.

Section 5. (a) That the City covenants that it will continue in effect the present schedule of rates for water and sewer services and that the rates will not be reduced except as hereafter provided in this Section, which schedule of water rates was established by Ordinance No. 79-1, and which schedule of sewer rates was established by Ordinance No. 85-4, as amended by Ordinance No. 85-19 and Ordinance No. 87-1, to which reference is hereby made for a detailed statement of the rates, and the provisions of Ordinance No. 79-1 and Ordinance No. 85-4, as amended by Ordinance No. 85-19 and Ordinance No. 87-1, are hereby incorporated herein as though fully set forth at this point.

(b) That the City covenants and agrees with the bondholders that the rates will produce a total revenue at least sufficient to pay the operation and maintenance expenses of the System, pay the principal of and premium, if any, and interest on the Water and Sewer Revenue Bonds and Trustee's fees in connection therewith, and make the required deposit into the Depreciation Fund. The City also covenants and agrees that the rates shall, from time to time, as and when necessary, be increased to such an amount as will provide revenues at least sufficient for the above purposes.

(c) That the City further covenants and agrees that the rates shall never be reduced while any Water and Sewer Revenue Bonds are outstanding, unless there is obtained from an independent certified public accountant a written opinion, based upon the number of customers and customer usage as reflected by the records of the Commission, that the proposed new rates will produce sufficient net revenues (net revenues being gross revenues of the System less operation and maintenance expenses) from the operation of the System for the succeeding fiscal year and leave a balance equal to at least one hundred twenty-five percent (125%) of the maximum annual debt service requirements (principal, interest, and trustee's fees) on all Water and Sewer Revenue Bonds then outstanding.

(d) That none of the facilities or services afforded by the System shall be furnished without a charge being made therefor. In the event that the City or any department, agency, or instrumentality thereof shall avail itself of the facilities and services afforded by the System, the reasonable value of the service or facilities so afforded shall be charged against the City or such department, agency, or instrumentality and shall be paid for as the charges accrue. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be used and accounted for in the same manner as the other revenues derived from the operation of the System.

Section 6. That all of the provisions of Ordinance No. 310, Ordinance No. 311 and Ordinance No. 87-8 (the "Prior Bond Ordinances"), except those provisions clearly inapplicable hereto, including, without limitation, the provisions pertaining to the collection and the handling of revenues and funds, to the operation, maintenance and care of the System, and to the rights and remedies of the holders of the Prior Bonds, and to the depreciation of the System, are hereby made applicable hereto and are incorporated herein by reference as though fully set forth at this point. The effect of the above covenant shall be to continue the applicable provisions in full force and effect even after the payment of the Prior Bonds and until the Series 1988 Bonds are paid, or provision made therefor. Notwithstanding any provisions hereof, all the provisions of this Ordinance shall be interpreted in such manner as to preserve all the substantive rights of the holders and owners of the Prior Bonds.

Section 7. That there is presently being maintained, in connection with the Prior Bonds, certain funds established by the Prior Bond Ordinances, specifically, the: (1) Water and Sewer Fund; (2) the Operation and Maintenance Fund; (3) the Depreciation Fund; (4) the Waterworks and Sewer System Revenue Bond and Interest Sinking Fund, Series A and B; (5) the 1987A Water and Sewer Revenue Bond Fund; and (6) the 1987B Water and Sewer Revenue Bond Fund. All of these funds and the covenants and restrictions set forth in connection therewith, are hereby ratified, confirmed and continued for the security and protection of the Prior Bonds and the Series 1988 Bonds. It is the intent of this provision that the funds, covenants and restrictions referred to above shall continue in full force and effect as security for the Series 1988 Bonds after the Prior Bonds have been paid and retired; provided, however, that when the Prior Bonds have been paid in full, the moneys in the respective bond fund established therefor shall be transferred to the Water and Sewer Fund. After the issuance of the Series 1988 Bonds, all transfers to the bond funds securing payment of the Bonds Refunded shall cease and all moneys in those funds not used to accomplish the refunding shall be transferred to the Water and Sewer Fund.

Section 8. 1988 Water and Sewer Revenue Bond Fund. (a) There shall be transferred and paid from the Water and Sewer Fund into a special fund, which is hereby created and designated "1988 Water and Sewer Revenue Bond Fund" (the "Bond Fund"), the sums in the amounts and at the times hereafter stated in subsection (b) for the purpose of providing funds for the payment of the principal of and premium, if any, and interest on the Series 1988 Bonds and the Trustee's fees in connection

therewith as the same become due, and to create and maintain a debt service reserve.

(b) That there shall be paid from the Water and Sewer Fund into the Bond Fund the following:

(i) First, into a special account within the Bond Fund which is hereby created and designated "Debt Service Account," commencing on the first business day of the month succeeding the month in which the Series 1988 Bonds are originally issued and on the first business day of each month thereafter until all outstanding Series 1988 Bonds, principal and interest, have been paid in full, or provision made for such payment, a sum equal to one-sixth (1/6) of the next installment of interest and one-twelfth (1/12) of the next installment of principal, plus an amount sufficient to provide for the Trustee's fees, on all outstanding Series 1988 Bonds; and

(ii) Second, into a special account within the Bond Fund which is hereby created and designated "Reserve Account," commencing on the first business day of the month succeeding the month in which the amount on hand in the Reserve Account is less than $64,000 (the "Reserve Requirement"), a sum equal to one-twelfth (1/12) of the amount necessary to restore the amount on hand in the Reserve Account to the Reserve Requirement.

(c) That if the revenues of the System are insufficient to make the required payments into the Bond Fund on the first business day of any month, then the amount of any deficiency in the payment shall be added to the amount otherwise required to be paid into the Bond Fund on the first business day of the next month.

(d) That if for any reason there shall be a failure at any time to make any of the required payments into the Debt Service Account, any sums then held in the Reserve Account shall be used to the extent necessary for the payment of the principal of and premium, if any, and interest on the Series 1988 Bonds, and the Trustee's fees.

(e) That when the moneys in the Bond Fund shall be and remain sufficient to pay the principal of and premium, if any, and interest on all Series 1988 Bonds then outstanding, and the Trustee's fees, there shall be no obligation to make any further payments into the Bond Fund.

(f) That all moneys in the Bond Fund shall be used solely for the payment of the principal of and premium, if any,

and interest on the Series 1988 Bonds, and the Trustee's fees, except as herein specifically provided. If a surplus shall exist in the Bond Fund over and above the amount necessary to insure the prompt payment of the principal of and premium, if any, and interest on the Series 1988 Bonds as the same become due and over and above the Reserve Requirement, such surplus may be used, at the option of the Commission, for the redemption of the Series 1988 Bonds prior to maturity, for constructing extensions, betterments, and improvements to the System, or for deposit into the Water and Sewer Fund.

(g) That there shall be withdrawn from the Bond Fund at least five (5) days before the maturity date of any Series 1988 Bond, and five (5) days before any interest payment date for any such Series 1988 Bond and deposited with the Trustee an amount equal to the amount of such Series 1988 Bond or interest thereon for the sole purpose of paying the same, together with the Trustee's fee. Such deposit shall be at the sole risk of the City and shall not operate as a payment of the Series 1988 Bond or interest thereon until so applied.

(h) That the Series 1988 Bonds shall be specifically secured by a pledge of all the revenues required to be placed into the Bond Fund on a parity of security with the Prior Bonds. This pledge in favor of the Series 1988 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 9. That the City hereby agrees that all payments on the Series 1988 Bonds, principal, premium, if any, and interest, shall be paid only through the designated Trustee, as Paying Agent. All Series 1988 Bonds paid or purchased either at or before maturity shall be cancelled when such payment or purchase is made, and held by the City Clerk and shall not be reissued.

Section 10. That the Series 1988 Bonds shall be subject to redemption prior to maturity in the manner and upon the terms set forth in the bond form appearing in Section 4 hereof.

Section 11. That as long as any of the Series 1988 Bonds authorized hereby are outstanding, the City shall not issue or attempt to issue any bonds or obligations having or claimed to be entitled to a priority of lien on the revenues of the System over the lien securing the Series 1988 Bonds, including the System and any and all future extensions, betterments, and improvements to the System. However,

nothing in this Ordinance shall be construed to prevent the issuance by the City of additional bonds to refund any outstanding Water and Sewer Revenue Bonds or to finance or pay the cost of constructing any future extensions, betterments, and improvements to the System; provided, the City shall not authorize or issue any such additional bonds ranking on a parity with the outstanding Series 1988 Bonds unless and until (1) there shall have been procured and filed with the Trustee a statement by an independent certified public accountant not in the regular employ of the City reciting the opinion based upon necessary investigation that net revenues (net revenues being gross revenues of the System less operation and maintenance expenses) derived from the operation of the System for the fiscal year preceding the year in which such Water and Sewer Revenue Bonds are proposed to be issued were not less than 125% of the maximum annual debt service requirements (principal, interest, and trustee's fees) on all Water and Sewer Revenue Bonds then outstanding and the Water and Sewer Revenue Bonds then proposed to be issued; or (2) there shall have been procured and filed with the Trustee a statement by an independent certified public accountant not in the regular employ of the City or an independent consulting engineer not in the regular employ of the City reciting the opinion based upon necessary investigation that "adjusted net revenues" derived from the operation of the System for the fiscal year preceding the year in which such additional bonds are proposed to be issued would have been not less than 125% of the maximum annual debt service requirements (principal, interest, and trustee's fees) on all Water and Sewer Revenue Bonds then outstanding and the additional bonds then proposed to be issued. "Adjusted net revenues" means net revenues adjusted (i) for rate increases passed prior to issuance of such additional bonds, (ii) for customers added prior to issuance of such additional bonds, and (iii) for additional revenues to be derived from the completion of a project to be funded from such additional bonds provided that such project would provide service to a new area with a pre-existing customer base.

The additional bonds, the issuance of which is restricted and conditioned by this Section 11, shall not be deemed to mean bonds the security and source of payment of which are subordinate and subject to the priority of the Water and Sewer Revenue Bonds.

Section 12. That any Series 1988 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 Federal Deposit Insurance Corporation ("FDIC") sufficient to make such payment 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 Series 1988 Bonds or cause any of the Series 1988 Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986 (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 shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

On the payment of all the Series 1988 Bonds within the meaning of this Ordinance and if the Trustee has been paid its fees and expenses, 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 Series 1988 Bonds shall have been paid within the meaning of this Ordinance, and if the Trustee has been paid its fees and expenses, 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 investment securities and interest to be earned thereon until the maturity of such investment securities.

Section 13. That the City and the Commission covenant and agree that they will maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. While any Water and Sewer Revenue Bonds are outstanding, the City and the Commission agree that they will insure and at all times keep insured, in the amount of the actual value thereof, in a responsible insurance company or companies authorized and qualified under the laws of the State of Arkansas to assume the risk thereof, all properties of the System against loss or damage from fire, lightning, tornado, winds, riot, strike, civil commotion, malicious damage, explosion, and against loss or damage from any other

causes customarily insured against by private companies engaged in a similar type of business. The insurance policies are to be taken with companies approved by the Commission and the Trustee, are to carry a clause making them payable to the Commission and Trustee as their interests may appear, and are either to be placed in the custody of the Trustee or satisfactory evidence of insurance shall be filed with the Trustee.

Section 14. That the Commission shall keep or cause to be kept proper books of accounts and records (separate from all other records and accounts of the City) in which complete and correct entries shall be made of all transactions relating to the operation of the System and its revenues. Such books shall be available for inspection by the Trustee and the registered owners of any of the Series 1988 Bonds at reasonable times and under reasonable circumstances. The City and the Commission agree to have these records audited by an independent certified public accountant at least once each year, and a copy of the audit shall be delivered to the Trustee and any registered owners of a Series 1988 Bond who shall request the same in writing from the Commission. In the event the City and the Commission fail or refuse to make the audit, the Trustee may, and upon request of the owners of not less than ten percent (10%) in principal amount of the Series 1988 Bonds then outstanding shall, have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

Section 15. That there shall be a statutory mortgage lien upon the City's water facilities, which shall exist in favor of the Trustee and the owners of the Series 1988 Bonds, and each of them, until payment in full of the interest on and principal of such Bonds; provided, however, that such statutory mortgage lien shall be interpreted according to the decision of the Supreme Court of the State of Arkansas in City of Harrison v. Braswell, 209 Ark. 1094, 194 S.W.2d 12 (1946).

Section 16. (a) That the City covenants and agrees that the owners of the Series 1988 Bonds shall have the protection of the provisions of Title 14, Chapter 235, Section 223 of the Arkansas Code of 1987 Annotated (the "Sewer Legislation"), and that the City will diligently proceed to collect the amount of any unpaid sewer charge due together with the penalty and expenses authorized by the Sewer Legislation. If the City shall fail to proceed within thirty (30) days after written request shall have been filed by the Trustee, the Trustee may, and upon the written request of the owners of not less than ten percent (10%) in principal amount of the Series 1988 Bonds then outstanding shall, proceed to

recover the amount of unpaid sewer charges together with a penalty of 10% and reasonable attorney's fee, in accordance with and pursuant to the authorization of the Sewer Legislation.

(b) That if there be any default in the payment of the principal of or premium, if any, or interest on any Series 1988 Bonds, or if the City defaults in any Bond Fund requirements or in the performance of any of the other covenants contained, incorporated by reference and set forth in this Ordinance (including, without limitation, failure on the part of the City to maintain the Reserve Requirement in the Bond Fund's Reserve Account), or if there shall be filed by or against the City a petition in bankruptcy, the Trustee may, and upon the written request of the owners of not less than ten percent (10%) in principal amount of Series 1988 Bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City in accordance with the laws of the State of Arkansas and this Ordinance. In the case of a default in payment of the principal of and premium, if any, and interest on any of the outstanding Series 1988 Bonds, or if the City fails to complete any other obligation which it herein assumes, and such default shall continue for thirty (30) days thereafter, the Trustee may, and upon the written request of the owners of not less than ten percent (10%) in principal amount of the Series 1988 Bonds then outstanding 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 owners of the Series 1988 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, repair, maintenance, and insuring and to pay the Water and Sewer Revenue Bonds, principal and interest, outstanding and to apply the revenues in conformity with the laws of the State of Arkansas and this Ordinance. When all defaults in principal, premium, and interest payments have been cured, the custody and operation of the System shall revert to the City.

(c) That no owner of any of the outstanding Series 1988 Bonds shall have any right to institute any suit, action, mandamus, or other proceeding in equity or in law for the protection or enforcement of any right under this Ordinance or the laws of the State of Arkansas, 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 owners of not less than ten percent (10%) in principal amount of the Series 1988 Bonds then outstanding shall have made written request of the Trustee after the right to exercise such powers

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 herein granted or granted by the laws of the State of Arkansas, 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, and such notification, request, and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Ordinance or to any other remedy hereunder.

It is hereby declared and intended that no one or more owners of the Series 1988 Bonds shall have any right in any manner whatever by his, her, or their action to affect, disturb, or prejudice the security of this Ordinance, or to enforce any right hereunder except in the manner herein provided, that all proceedings at law or in equity shall be instituted, had, and maintained in the manner herein provided and for the benefit of all owners of the outstanding Series 1988 Bonds, and that any individual rights of action or other right given to one or more of such owners by law are restricted by this Ordinance to the rights and remedies herein provided.

(d) That all rights and remedies enforceable by the Trustee may be enforced by it without the possession of any of the Series 1988 Bonds, and any such suit, action, or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the owners of all outstanding Series 1988 Bonds, subject to the provisions of this Ordinance.

(e) That no remedy conferred upon or reserved to the Trustee or the owners of the Series 1988 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing or available at law or in equity.

(f) That no delay or omission of the Trustee or any owners of the Series 1988 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 an acquiescence therein; and every power and remedy given by this Ordinance to the Trustee and the owners of the Series 1988 Bonds may be exercised from time to time and as often as may be deemed expedient.

(g) That the Trustee may, and upon the written request of the owners of not less than ten percent (10%) in principal amount of Series 1988 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 of impair any rights or remedies consequent thereon.

Section 17. That First National Bank of Russellville, Russellville, Arkansas is hereby appointed to act as Trustee and Paying Agent under this Ordinance. 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 on the face of the Series 1988 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 owners of not less than ten percent (10%) in principal amount of the Series 1988 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 sixty (60) days' notice in writing to the City and the registered owners of the Series 1988 Bonds, and the majority in value of the owners of the outstanding Series 1988 Bonds 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 majority in value of the owners of the outstanding Series 1988 Bonds may appoint a new Trustee, such appointment to be evidenced by a written instrument or instruments filed with the City Clerk. If the majority in value of the owners of the outstanding Series 1988 Bonds shall fail to fill a vacancy within forty-five (45) days after the same shall occur, then 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 owners of the Series 1988 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 must be a corporation organized and doing business under the laws of the United States of America or any state, authorized under such laws to exercise corporate trust powers, having its principal office and place of business in the State of Arkansas,

having a combined capital and surplus of at least $5,000,000, and subject to supervision or examination by federal or state authorities. Any successor Trustee shall have all the powers herein granted to the original Trustee. Any Trustee that resigns or is removed pursuant to the provisions hereof shall cease to be Paying Agent and any successor Trustee shall be and become Paying Agent.

Section 18. That when the Series 1988 Bonds have been executed, they shall be authenticated by the Trustee and the Trustee shall deliver the Series 1988 Bonds to the Purchaser upon payment in cash of the purchase price of 97% of the principal amount thereof plus accrued interest from June 1, 1988 ("total sale proceeds"). The accrued interest shall be remitted to the Treasurer for deposit into the Debt Service Account in the Bond Fund. The Trustee's authentication fee shall be paid to the Trustee. The sum of $64,000 shall be deposited into the Reserve Account in the Bond Fund. The balance of the total sale proceeds shall first be applied to refund the Bonds Refunded and the balance shall be deposited in a special account of the City established with the Trustee designated "1988 Costs of Issuance Fund" (the "Costs of Issuance Fund").

The moneys in the Costs of Issuance Fund shall be disbursed solely in payment of the expenses of issuing the Series 1988 Bonds. Disbursements shall be on the basis of requisitions which shall contain at least the following information: The person, firm or corporation 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 issue its check upon the Costs of Issuance Fund payable to the person, firm or corporation designated in the requisition. The Trustee shall be required to keep records as to all payments made.

All expenses of issuing the Series 1988 Bonds shall be paid within thirty (30) days after the Series 1988 Bonds have been delivered to the Purchaser. Upon receipt of notice from the Mayor that all expenses have been paid the Trustee shall pay any remaining balance to the Treasurer for deposit into the Water and Sewer Fund as reimbursement for the City's contribution to the refunding.

That all amounts remaining in the bond funds (including the reserve for contingencies therein) maintained in connection with the Bonds Refunded shall be used to pay interest on the Bonds Refunded to the date the refunding is accomplished and the balance shall be transferred by the Treasurer into the Water and Sewer Fund.

Section 19. (a) That moneys held for the credit of the Reserve Account in the Bond Fund, and any other fund and account shall, as nearly as may be practicable, be maintained in such depositories of the City as may from time to time be designated by the Commission, with all such depositories to hold memberships in the FDIC, and with all deposits in any depository in excess of the amount insured by the FDIC to be continuously invested and reinvested by the Commission in Government Securities (which shall include fully guaranteed obligations of the United States of America), or in certificates of deposit or repurchase agreements issued by any state or national bank which shall have combined capital and surplus of not less than $15,000,000 having a market value, to be determined at intervals not exceeding six (6) months, exclusive of accrued interest, equal at least to the principal amount of such certificates of deposit or repurchase agreements. Such investments shall mature, or shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when the moneys held for the credit of the particular fund will be required for the purposes intended, but not later than five (5) years for investment of moneys in the Reserve Account in the Bond Fund.

(b) That obligations so purchased as an investment of moneys in any such fund shall be placed in the custody of the Trustee or at such place or places as the Trustee may designate and shall be deemed at all times to be a part of such fund and the interest accruing thereon and any profit realized from such investment shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund, provided, however, that if earnings on investments of moneys in the Reserve Account in the Bond Fund increase the amount thereof in excess of the Reserve Requirement, the earnings to the extent of the excess may be transferred out of the Reserve Account in the Bond Fund and into the Debt Service Account in the Bond Fund and may be used as any other moneys may be used in the Debt Service Account in the Bond Fund.

(c) That moneys invested in Government Securities or in certificates of deposit of banks to the extent insured by the FDIC need not be secured by the depository bank or banks.

Section 20. That in the event the office of Mayor, City Clerk, Manager of the System, City Council, or Commission 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 function thereof, or by the office or officer upon whom such powers, obligations, and duties shall be imposed by law.

Section 21. (a) That the terms of this Ordinance shall constitute a contract between the City and the registered owners of the Series 1988 Bonds and no variation or change in the undertaking herein set forth shall be made while any of the Series 1988 Bonds are outstanding, except as hereinafter set forth in subsections (b) and (c), and the owner of any Series 1988 Bonds may at any time for and on his own behalf or for and on behalf of all Series 1988 Bondholders enforce the obligations of the City by a proper suit for that purpose.

(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 without the consent of the owners of the outstanding Series 1988 Bonds.

(c) The owners of not less than seventy-five percent (75%) in aggregate principal amount of the Series 1988 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 Series 1988 Bond issued hereunder, or (b) a reduction in the principal amount of any Series 1988 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 Series 1988 Bond or Series 1988 Bonds over any other Series 1988 Bond or Series 1988 Bonds, or (e) a reduction in the aggregate principal amount of the Series 1988 Bonds required for consent to such supplemental ordinance.

Section 22. That the City covenants that it shall not take any action or suffer or permit any action to be taken or condition to exist which causes or may cause the interest payable on the Series 1988 Bonds to be subject to federal income taxation. Without limiting the generality of the

foregoing, the City covenants that the proceeds of the sale of the Series 1988 Bonds and the revenues of the System will not be used directly or indirectly in such manner as to cause the Series 1988 Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 23. That the City shall assure that (i) not in excess of ten percent (10%) of the "net proceeds" of the Series 1988 Bonds or the Bonds Refunded (being, in the case of the Series 1988 Bonds the principal amount originally issued less amounts deposited in the Reserve Account in the Bond Fund and in the case of the Bonds Refunded the principal amount thereof) is used for "private business use" (being used 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 government and use as a member of the general public) if, in addition, the payment of more than ten percent (10%) of the principal or ten percent (10%) of the interest due on the Series 1988 Bonds or the Bonds Refunded during the term thereof is, under the terms of the Series 1988 Bonds or the Bonds Refunded as originally issued 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 money used or to be used for a private business use; and (ii) that, in the event that both (A) in excess of five percent (5%) of the net proceeds of the Series 1988 Bonds or the Bonds Refunded are used for a private business use, and (B) an amount in excess of five percent (5%) of the principal or five percent (5%) of the interest due on the Series 1988 Bonds or the Bonds Refunded during the term thereof is, under the terms of the Series 1988 Bonds or the Bonds Refunded as originally issued 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 five percent (5%) of net proceeds of the Series 1988 Bonds or the Bonds Refunded used for a private business use shall be used for a private business use related to the governmental use of a portion of the project financed with the Bonds Refunded and shall not exceed the proceeds use for the governmental use of the portion of the project financed with the Bonds Refunded to which such private business use relates.

The City shall also assure that not in excess of five percent (5%) of the net proceeds of the Series 1988 Bonds or the Bonds Refunded are used, directly or indirectly, to make or finance a loan to persons other than state or local governmental units.

Section 24. The Series 1988 Bonds are hereby designated as "qualified tax-exempt obligations" within the meaning of the Code. The City represents and covenants 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 1988 does not and will not exceed $10,000,000.

The City further covenants and represents that (i) the aggregate principal amount of its tax-exempt obligations (not including "private activity bonds" within the meaning of Section 141 of the Code), including those of its subordinate entities, issued in calendar year 1988 will not exceed $5,000,000, and (ii) at least 95% of the proceeds of the Series 1988 Bonds will be expended for the governmental activities of the City.

Section 25. That the City covenants that it will take no action which would cause the Series 1988 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code; specifically, (A) the payment of any portion of principal or interest with respect to the Series 1988 Bonds will not be guaranteed (directly or indirectly) by the United States or any agency or instrumentality thereof and (B) not more than 5% of the proceeds of the Series 1988 Bonds (exclusive of proceeds invested for an initial temporary period until needed for the purpose for which the bonds were issued and proceeds deposited into the Bond Fund) will be invested (directly or indirectly) in federally insured deposits or accounts. Nothing in this Section 25 shall prohibit investments in bonds issued by the United States Treasury.

Section 26. 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 Series 1988 Bonds are issued, a statement required by Section 149(e) of the Code.

Section 27. Anything herein to the contrary notwithstanding, all rights of any owner of any Series 1988 Bond to or with respect to any moneys or investments held in any fund or account hereunder shall terminate at the expiration of five (5) years from the date of maturity of such Series

1988 Bond, whether by scheduled maturity or by call for redemption prior to maturity in accordance with the terms hereof.

Section 28. The Mayor is hereby directed to publish this Ordinance for one insertion in a newspaper published in the City, with a notice in substantially the following form attached thereto:

NOTICE

Notice is hereby given that the City Council of the City of Atkins, Arkansas, has adopted the ordinance set forth below; that the City contemplates the issuance of the water and sewer revenue refunding bonds described in the ordinance; and that any person interested may appear before the City Council on the 14th day of June, 1988, at 7:00 p.m., at the usual meeting place of the Council in Atkins, Arkansas, and present protests. At such hearing all objections and suggestions will be heard, and the Council will take such action as is deemed proper in the premises.

DATED this 26th day of May, 1988.

Mayor

Section 29. That this Ordinance shall not create any right of any kind and no right of any kind shall arise hereunder pursuant to it until the Series 1988 Bonds authorized by this Ordinance shall be issued and delivered.

Section 30. That 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 31. That all ordinances and parts of ordinances in conflict herewith are hereby repealed to the extent of such conflict.

Section 32. That it is hereby ascertained and declared that the refunding must be accomplished as soon as possible in order to lower the interest cost on obligations payable from System revenues, and that the issuance of the Series 1988 Bonds and the taking of the other action authorized by this Ordinance is necessary for the accomplishment thereof. It is, therefore, declared that an emergency exists and this Ordinance, being necessary for the immediate preservation of the public peace, health and safety, shall take effect and be in force from and after its passage.

PASSED AND APPROVED THIS 26th DAY OF May, 1988.

Mayor

ATTEST:

City Clerk

(SEAL)

APPROVED AS TO FORM:

City Attorney

CERTIFICATE

The undersigned, City Clerk of the City of Atkins, Arkansas, hereby certifies that the foregoing pages are a true and correct copy of Ordinance No. 88-3, adopted at a special session of the City Council of the City of Atkins, Arkansas, held at the regular meeting place of the Council in the City at 7:00 p.m., on the 26th day of May, 1988, and that said Ordinance is of record in Ordinance Record Book No. _____, Page _____, now in my possession.

GIVEN under my hand and seal this 26th day of May, 1988.

Brenda Graves
City Clerk

(SEAL)