

ORDINANCE NO. 0-96-02

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 Arkadelphia, Arkansas (the "City") owns and operates a Water and Sewer System, which is operated as a single, integrated municipal undertaking (the "System"); and

WHEREAS, the System is operated on behalf of the City by the Arkadelphia Water and Sewer Committee (the "Committee"); and

WHEREAS, the Board of Directors of the City (the "Board of Directors") and the Committee have determined that the City will be able to receive a substantial savings by refunding the City's Water and Sewer Revenue Bonds, Series 1986 (the "Bonds Refunded") authorized by Ordinance No. 457 of the City, adopted July 17, 1986 (the "1986 Ordinance"); and

WHEREAS, the City can refund the Bonds Refunded by the issuance of Water and Sewer Refunding Revenue Bonds, Series 1996, in the principal amount of \$890,000 (the "bonds"); and

WHEREAS, the City has made arrangements for the sale of the bonds to Crews & Associates, Inc. (the "Purchaser"), at a price of 98% of par plus accrued interest (the "Purchase Price"), pursuant to a Bond Purchase Agreement (the "Agreement") which has been presented to and is before this meeting; and

WHEREAS, the Preliminary Official Statement, dated April 12, 1996, offering the bonds for sale (the "Preliminary Official Statement") has been presented to and is before this meeting; and

WHEREAS, the City has outstanding a Water and Sewer Revenue Bond, dated November 5, 1992 (the "1992 Bond") authorized by Ordinance No. 0-92-3 of the City, adopted February 20, 1992, as amended by Ordinance No. 0-92-5 of the City, adopted April 2, 1992 (collectively, the "1992 Ordinance"); and

WHEREAS, the City will receive a certificate from a certified public accountant to the effect that the test in the 1992 Ordinance has been met for issuing the bonds secured by a lien prior to the lien securing the 1992 Bond;

NOW, THEREFORE, BE IT ORDAINED by the Board of Directors of the City of Arkadelphia, Arkansas:

Section 1. The refunding shall be accomplished. The Mayor and City Clerk are hereby authorized to take, or cause to be

taken, all action necessary to accomplish the same and to execute all required contracts.

Section 2. The Board of Directors hereby finds and declares that the period of usefulness of the System will be more than 15 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 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 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.

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 confirmed and approved, and the Mayor be and he is hereby further 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 Agreement.

Section 4. 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 Arkadelphia, Arkansas Water and Sewer Refunding Revenue Bonds, Series 1996 are hereby authorized and ordered issued in the principal amount of \$890,000 for the purpose of refunding the Bonds Refunded, and paying costs incidental thereto and expenses of issuing the bonds. The bonds shall mature on August 1 in the years and in the amounts and shall bear interest as follows:

<u>Year (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1996	\$ 30,000	4.00%
1997	70,000	4.15
1998	75,000	4.30
1999	75,000	4.50
2000	80,000	4.60
2001	85,000	4.70
2002	85,000	4.75
2003	90,000	4.90
2004	95,000	5.00
2005	100,000	5.05
2006	105,000	5.10

The bonds shall be dated May 1, 1996 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.

Interest on the bonds shall be payable on August 1, 1996, and semiannually thereafter on February 1 and August 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 Texarkana National Bank, Texarkana, 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 May 1, 1996, 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 6 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, number, 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, 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 5. 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. System revenues are hereby pledged and mortgaged for the equal and ratable payment of the bonds. The pledge in favor of the bonds is superior to the pledge in favor of the 1992 Bond. The bonds and interest thereon shall not constitute an indebtedness of the City within any constitutional or statutory limitation.

Section 6. 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
No. _____

REGISTERED

UNITED STATES OF AMERICA
STATE OF ARKANSAS
COUNTY OF CLARK
CITY OF ARKADELPHIA
WATER AND SEWER REFUNDING
REVENUE BOND,
SERIES 1996

Interest Rate: _____ % Maturity Date: August 1, _____
Dated Date: May 1, 1996
Registered Owner: _____
Principal Amount: _____ Dollars
CUSIP No.: _____

KNOW ALL MEN BY THESE PRESENTS:

That the City of Arkadelphia, County of Clark, 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 trust office of Texarkana National Bank, Texarkana, 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 August 1, 1996 and semiannually thereafter on the first days of February and August 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.

This bond is one of an issue of City of Arkadelphia, Arkansas Water and Sewer Refunding Revenue Bonds, Series 1996, aggregating Eight Hundred Ninety Thousand Dollars (\$890,000) in principal amount (the "bonds"), and is issued for the purpose of refunding certain outstanding bonds payable from revenues of the City's water and sewer (combined) system (the "System"), and paying necessary expenses incidental thereto and to the authorization and issuance of the bonds.

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 April 18, 1996 (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 System, so long as such bonds are outstanding. 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 1996 Water and Sewer Revenue Bond Fund described in 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, and to make the required deposit for the depreciation of the System.

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

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 Arkadelphia, Arkansas has caused this bond to be executed by its Mayor and City Clerk, their facsimile signatures thereunto duly authorized and its corporate seal to be impressed or imprinted on this bond, all as of the Dated Date shown above.

ATTEST:

(facsimile signature)
City Clerk

CITY OF ARKADELPHIA, ARKANSAS

By (facsimile signature)
Mayor

(SEAL)

(Reverse Side of Bond)

CITY OF ARKADELPHIA, ARKANSAS
WATER AND SEWER REFUNDING
REVENUE BOND, SERIES 1996

The bonds shall be subject to extraordinary and optional redemption as follows:

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

2. The bonds may be redeemed at the option of the City from funds from any other source, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee shall determine) on and after August 1, 2001, in whole at any time or in part on any interest payment date, at a price equal to the principal amount being redeemed plus accrued interest to the redemption date.

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.

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.

(Form of Trustee's Certificate)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds designated Series 1996 in and issued under the provisions of the within mentioned Authorizing Ordinance.

Date of Authentication: _____

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

Section 7. (a) The City has heretofore fixed water rates by Ordinance No. B-362, adopted on July 12, 1979, and sewer rates by Ordinance No. 0-92-9 adopted on September 17, 1992. Reference is hereby made to such Ordinances fixing the rates for the details thereof and other provisions pertaining thereto, which water and sewer rates are hereby confirmed and continued.

(b) The City covenants and agrees that the rates shall never be reduced while any of the bonds are outstanding unless there is obtained from an independent certified public accountant not in the regular employ of the City ("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 systems, exclusive of depreciation, interest and bond amortization expenses), with the reduced rates, will always be equal to the amount required to be deposited in the Depreciation Fund (hereinafter identified) plus at least 140% of the average annual principal and interest requirements on all outstanding bonds payable from the revenues of the System ("System Bonds").

(c) The City further covenants and agrees that the rates if necessary, from time to time, shall be increased to that amount which will produce net revenues at least equal to 125% of the average annual principal and interest requirements on all

outstanding System Bonds, and otherwise comply with the provisions of this Ordinance and all ordinances authorizing System Bonds.

Section 8. Those provisions of Ordinance No. 331 of the City, adopted October 21, 1976, as amended and supplemented by the 1986 Ordinance (the "1976 Ordinance"), and of the 1992 Ordinance (collectively, the "Prior Ordinances"), as now in effect, and except those provisions clearly inapplicable hereto or inconsistent herewith, including, without limitation, the provisions pertaining to the collection and the handling of System revenues and funds, to vacancies in office, to the operation, maintenance and care of the System, 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 though the bonds authorized by the 1976 Ordinance have been paid in full and until the bonds are paid, or provision made therefor. In this regard, the following funds created by the Prior Ordinances are hereby confirmed and continued: Water and Sewer Fund (the "Revenue Fund"); Water and Sewer Operation and Maintenance Fund (the "Operation and Maintenance Fund"); ADFA Bond Fund (the "1992 Bond Fund"); and Water and Sewer Depreciation Fund (the "Depreciation Fund").

Section 9. (a) After making the monthly deposits into the Operation and Maintenance Fund as provided in the 1976 Ordinance, there shall be transferred from the Revenue Fund into a special fund which is hereby created and designated "1996 Water and Sewer Revenue Bond Fund" (the "Bond Fund"), the sums in the amounts and at the times hereinafter stated in subsection (b) for the purpose of providing funds for the payment of the principal of and interest on the bonds as they mature.

(b) There shall be paid into the Bond Fund, beginning on the first business day of the month immediately following the month in which the bonds are delivered, and continuing on the first business day of each month thereafter 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 interest due and 1/12 of the next installment of principal due on all outstanding bonds; provided, however, that monthly payments through July, 1996 shall be adjusted in order to provide sufficient funds to pay principal and interest on the bonds due August 1, 1996.

(c) The Trustee shall, from time to time, bill the City for its reasonable fees as trustee, paying agent and bond registrar for the bonds. The City shall include the amount necessary to pay each such billing with its next monthly deposit into the Bond Fund. Deposits into the Bond Fund shall be at the sole risk of the City and shall not operate as a payment of principal and interest or

fees until so applied. All interest earnings on moneys in the Bond Fund and any accrued interest deposited into the Bond Fund shall be used as a credit against each monthly payment into the Bond Fund.

(d) If the revenues of the System are insufficient to make the required payment on the first business day of any month into the Bond Fund, then 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.

(e) When the moneys held in the Bond Fund shall be and remain sufficient to pay the principal of and interest on all bonds then outstanding, the City shall not be obligated to make any further payments into the Bond Fund, except payments pursuant to subsection (c).

(f) If a surplus shall exist in the Bond Fund over and above the amount required for making all principal and interest payments due during the next 12 months, such surplus shall be paid into the Revenue Fund.

(g) The bonds shall be specifically secured by a pledge of all the revenues required to be placed 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 10. After making the required monthly deposits into the Operation and Maintenance Fund and the Bond Fund, there shall be transferred each month from the Revenue Fund into the 1992 Bond Fund, the sums in the amounts and at the times described in the 1992 Ordinance for the purpose of paying the principal of and interest on the 1992 Bond when due.

Section 11. After making the required monthly deposits into the Operation and Maintenance Fund, the Bond Fund and the 1992 Bond Fund, there shall be paid each month from the Revenue Fund to the Arkansas Development Finance Authority ("ADFA") the servicing fee due in connection with the 1992 Bond (the "Servicing Fee").

Section 12. After making the required monthly deposits into the Operation and Maintenance Fund, the Bond Fund and the 1992 Bond Fund and after paying the Servicing Fee to ADFA, there shall be transferred on the first business day of each month from the Revenue Fund into the Depreciation Fund, the sums in the amounts and at the times described in the 1976 Ordinance.

Section 13. It shall be the duty of the City Treasurer to withdraw or cause to be withdrawn from the Bond Fund at least

five (5) days before the due date of any principal of or interest on any of the bonds and to deposit with the Trustee an amount equal to the amount of such principal or interest for the sole purpose of paying the same. It shall also be the duty of the City Treasurer to withdraw or cause to be withdrawn moneys from the Bond Fund at times and in amounts necessary to pay as due all trustee, paying agent and bond registrar fees and to remit such fees to the Trustee. No withdrawal of funds from the Bond Fund shall be made for any other purpose except as otherwise authorized in this Ordinance.

Section 14. Any surplus in the Operation and Maintenance Fund as described in the 1976 Ordinance may be transferred to the Revenue Fund or the Depreciation Fund. Any surplus in the Depreciation Fund as described in the 1976 Ordinance may be transferred to the Revenue Fund.

Section 15. That as long as any of the bonds are outstanding, the City shall not issue any bonds claimed to be entitled to a priority of lien on the revenues of the System over the lien securing the bonds.

The City reserves the right to issue additional bonds to finance or pay the cost of constructing any future extensions, betterments and improvements to the System or to refund outstanding System Bonds; provided, however, the City shall not authorize or issue any such additional bonds ranking on a parity with the bonds, unless and until there shall have been procured and filed with the Trustee a statement by an Accountant reciting, based upon necessary investigation, that net revenues of the System (net revenues being gross revenues of the System less the amounts required to pay the costs of operation, maintenance and repair of the System calculated in accordance with generally accepted accounting principles applicable to municipal water and sewer systems, excluding depreciation, interest and bond amortization expenses) for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 130% of the maximum annual principal and interest requirements on all the then outstanding bonds, outstanding parity bonds, and the additional bonds then proposed to be issued. In making the computation set forth above, the City, and the Accountant on behalf of the City, may, based upon the opinion or report of a registered professional engineer not in the regular employ of the City, treat any increase in rates for the System enacted subsequent to the first day of such preceding fiscal year as having been in effect throughout such fiscal year and may include in gross revenues for such fiscal year the amount that would have been received, based on such opinion or report, had the increase been in effect throughout such fiscal year.

Section 16. 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 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 a 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 17. The bonds shall be subject to redemption prior to maturity in accordance with the terms set out in the bond form.

Section 18. 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 by the City and 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 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 19. 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 Federal Deposit Insurance Corporation ("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 ("Investment 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 Internal Revenue Code of 1986, as amended (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 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 Investment Securities.

When all the 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 Investment 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 20. 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 the State. 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 the State 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 an 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 21. (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 these 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 without the consent of the owners of the outstanding bonds if the Trustee determines that such change or variation is not, in the Trustee's opinion, materially prejudicial to the interests of the owners of the bonds.

(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 22. When the bonds have been executed, they shall be authenticated by the Trustee and the Trustee shall deliver the bonds to the Purchaser upon payment of the Purchase Price. The accrued interest portion of the Purchase Price shall be remitted to the City for deposit into the Bond Fund. The expenses of issuing the bonds as set forth in the delivery instructions to the Trustee signed by the Mayor and City Clerk shall also be paid from the Purchase Price. The amount necessary to refund the Bonds Refunded shall be deposited into an escrow account with First Commercial Trust Company, National Association, Little Rock, Arkansas (successor in interest to The State First National Bank of Texarkana, Texarkana, Arkansas), as trustee for the owners of the Bonds Refunded (the "Escrow Account"). The remainder of the Purchase Price, if any, shall be deposited into a special account in the name of the City designated "Cost of Issuance Fund, Series 1996" (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 and the City Treasurer. The Trustee shall issue its check upon the Cost of Issuance Fund payable to the person, firm or corporation designated in the requisition. 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 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 any moneys remaining in the Bond 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 transfer any remaining balance to the City for deposit into the Bond Fund.

Section 23. 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 24. (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 System 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.

"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.

(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 1996 will not exceed \$10,000,000.

The City further 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, to be issued in calendar year 1996 will not exceed \$5,000,000, and (ii) at least 95% of the proceeds of the bonds will be expended for the governmental activities of the City.

(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.

Section 25. (a) Moneys held for the credit of all funds created by this Ordinance may be invested and reinvested pursuant to the direction of the City in 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 Securities"), or in time deposits or certificates of deposit of banks, including the Trustee, which are insured by FDIC, or, if in excess of insurance coverage, collateralized by Government Securities ("Permitted Investments").

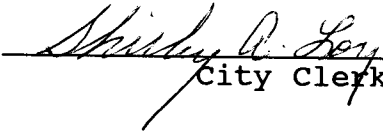
(b) All Permitted Investments shall mature, or shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when the moneys will be required for authorized expenditures.

(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.

CERTIFICATE

The undersigned, City Clerk of the City of Arkadelphia, Arkansas, hereby certifies that the foregoing pages are a true and perfect copy of Ordinance No. 0-96-01, adopted at a regular session of the Board of Directors of the City of Arkadelphia, Arkansas, held at the regular meeting place of the City at 7:00 o'clock p.m., on the 7th day of March, 1996, and that the Ordinance is of record in Ordinance Record Book No. 4, at page 336, now in my possession.

GIVEN under my hand and seal on this 7th. day of March, 1996.



City Clerk

(SEAL)