

City Copy

ORDINANCE NO. 0-77-35

AN ORDINANCE AUTHORIZING THE CONSTRUCTION OF CERTAIN EXTENSIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATER SYSTEM OF THE CITY OF CONWAY, ARKANSAS; AUTHORIZING THE ISSUANCE OF WATER IMPROVEMENT REVENUE BONDS FOR THE PURPOSE OF FINANCING THE COST TO THE CITY OF THE CONSTRUCTION; PROVIDING FOR THE PAYMENT OF PRINCIPAL AND INTEREST ON THE BONDS; PRESCRIBING OTHER MATTERS RELATING THERETO; AND DECLARING AN EMERGENCY.

WHEREAS, the Water System (the "System") presently serving the City of Conway, Arkansas ("City"), is inadequate for the immediate needs of the inhabitants of the City; and

WHEREAS, the City Council has determined that the existing System should be improved and that certain extensions, betterments and improvements thereto should be constructed; and

WHEREAS, the Council has had prepared by a duly qualified consulting engineer a preliminary report and estimates of cost of the needed extensions, betterments and improvements (the "improvements"); and

WHEREAS, the plans and estimates have been examined and approved by the City Council and a copy thereof is on file in the office of the City Clerk, where it may be inspected by any interested person; and

WHEREAS, the City does not have available sufficient funds with which to construct the improvements, but can obtain the same by the issuance of Water Improvement Revenue Bonds in the aggregate sum of Three Hundred Eighty-One Thousand Dollars (\$381,000), which, together with funds to be obtained from an agency or agencies of the Government of the United States of America in the approximate sum of

WHEREAS, the City has outstanding issues of Water Revenue Bonds dated March 1, 1955 (the "1955 Bonds"), February 1, 1960 (the "1960 Bonds"), January 1, 1962 (the "1962 Bonds"), and April 1, 1966 (the "1966 Bonds") to the payment of which the revenues of the System are pledged;

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

Section 1. That the improvements be constructed.

Section 2. That the offer of the United States of America, Department of Commerce, Economic Development Administration, of par for \$381,000 principal amount of bonds bearing interest at the rate of 5% per annum be, and the same hereby is, accepted and the bonds be, and they hereby are, sold to the United States of America for that price.

Section 3. That the City Council hereby finds and declares that the period of usefulness of the System after the completion of the improvements will be more than 40 years, which is longer than the term of the proposed Revenue Bonds.

Section 4. That under the authority of the Constitution and laws of the State of Arkansas, including particularly Act No. 131 of the Acts of Arkansas of 1933, as amended, City of Conway, Arkansas Water Improvement Revenue Bonds ("1977 Bonds" or "bonds"), are hereby authorized and ordered issued in the principal amount of Three Hundred Eighty-One Thousand Dollars (\$381,000), the proceeds of which are necessary to provide sufficient funds to pay the cost to the City of constructing the improvements, including other necessary expenses incidental thereto and to the issuance of the bonds.

The bonds shall be dated November 1, 1977, and shall bear interest at the rate of five percent (5%) per annum. Interest shall be payable semiannually on May 1 and November 1 of each year, commencing May 1, 1978. The bonds shall mature on November 1 in each of the years 1980 to 2017, inclusive, as follows (but shall be subject to redemption or prepayment prior to maturity as set forth in the face of the bonds):

<u>YEAR</u>	<u>AMOUNT</u>	<u>YEAR</u>	<u>AMOUNT</u>
1980	\$ 3,000	1999	\$ 9,000
1981	4,000	2000	9,000
1982	4,000	2001	10,000
1983	4,000	2002	10,000
1984	4,000	2003	11,000
1985	4,000	2004	11,000
1986	5,000	2005	12,000
1987	5,000	2006	12,000
1988	5,000	2007	13,000
1989	5,000	2008	14,000
1990	6,000	2009	15,000
1991	6,000	2010	15,000
1992	6,000	2011	16,000
1993	7,000	2012	17,000
1994	7,000	2013	18,000
1995	7,000	2014	19,000
1996	8,000	2015	20,000
1997	8,000	2016	21,000
1998	9,000	2017	22,000

The bonds shall be issued as a single bond, registered as to both principal and interest, payable to the Secretary of Commerce, United States of America, or her successors or assigns, in the principal amount of \$381,000 (the "single registered bond"), with principal and interest payable on the dates and in the amounts set forth above in this Section 4.

First State Bank & Trust Co., Conway, Arkansas is designated as Paying Agent for the bonds. Payment of principal and interest shall be by check or draft of the Paying Agent mailed to the registered owner thereof without presentation

and make proper notations thereon of all payments of principal and interest, and the registered owner may at any time submit his bond to the Paying Agent for completion of the payment record attached to the bond as to all payments theretofore made. The Paying Agent shall be entitled to reasonable compensation for its services.

When used in this Ordinance without qualification, the term "bonds" shall refer to the single registered bond outstanding hereunder.

Payment of principal and interest shall be in any coin or currency of the United States of America which, on the respective dates of payment, is legal tender for the payment of public and private debts. When the principal of and interest on the bond has been fully paid, the bond shall be cancelled and delivered to the City Clerk.

Section 5. The bonds shall be executed on behalf of the City with either the manual or facsimile signature of the Mayor and with the manual signature of the City Clerk and shall have impressed thereon the seal of the City.

The bonds are not general obligations of the City but are special obligations, the principal of and interest on which are secured by a pledge of and are payable from revenues derived from operation of the System. The pledge of revenues in favor of these bonds shall be subordinate to the pledge of revenues in favor of the 1955 Bonds, the 1960 Bonds, the 1962 Bonds and the 1966 Bonds. The bonds and interest thereon shall not constitute an indebtedness of the City within any constitutional or statutory limitation.

Section 6. The Bonds shall be in substantially

(Form of Single Registered Bonds)

UNITED STATES OF AMERICA
STATE OF ARKANSAS
COUNTY OF FAULKNER
CITY OF CONWAY
5% WATER IMPROVEMENT REVENUE BOND

No. R-1

\$381,000

KNOW ALL MEN BY THESE PRESENTS:

That the City of Conway, County of Faulkner, State of Arkansas (the "City"), for value received, hereby acknowledges itself to owe and promises to pay to the Secretary of Commerce, United States of America, or her successors and assigns ("Payee"), solely from the special fund provided as hereinafter set forth, the principal sum of

THREE HUNDRED EIGHTY-ONE THOUSAND DOLLARS

in installments on the first day of November in each of the years and in the principal amounts as follows:

<u>YEAR</u>	<u>AMOUNT</u>	<u>YEAR</u>	<u>AMOUNT</u>
1980	\$3,000	1999	\$ 9,000
1981	4,000	2000	9,000
1982	4,000	2001	10,000
1983	4,000	2002	10,000
1984	4,000	2003	11,000
1985	4,000	2004	11,000
1986	5,000	2005	12,000
1987	5,000	2006	12,000
1988	5,000	2007	13,000
1989	5,000	2008	14,000
1990	6,000	2009	15,000
1991	6,000	2010	15,000
1992	6,000	2011	16,000
1993	7,000	2012	17,000
1994	7,000	2013	18,000
1995	7,000	2014	19,000
1996	8,000	2015	20,000
1997	8,000	2016	21,000
1998	9,000	2017	22,000

and to pay interest on the unpaid balance of the aggregate principal sum from the interest commencement date noted on this bond at the rate of five percent (5%) per annum, payable semiannually on May 1

provided, shall be made by the Paying Agent to the registered owner and this bond need not be presented. Each payment shall be noted on a payment record maintained by the Paying Agent. All such payments shall fully discharge the obligation of the City hereon to the extent of the payments so made. The registered owner may present this bond to the Paying Agent at any time for verification and completion of the payment record attached hereto. Upon final payment of principal and interest, this bond shall be submitted to the Paying Agent for cancellation and surrender to the City.

This bond is issued for the purpose of paying a portion of the cost of constructing extensions, betterments and improvements to the water system (the "System") of the City and is issued pursuant to and in full compliance with the Constitution and laws of the State of Arkansas, including particularly Act No. 131 of the Acts of Arkansas of 1933, as amended, and pursuant to Ordinance No. _____ of the City, duly adopted and approved on the _____ day of _____, 1977 (the "Authorizing Ordinance").

The City shall have the right to prepay principal installments, in inverse chronological order, in multiples of \$1,000, from funds from any source, on any interest paying date, at a price of the principal amount thereof, plus accrued interest.

Notice of any prepayment shall be given at least thirty (30) days prior to the date fixed for such prepayment by mailing to the registered owner of this bond notice fixing such date of prepayment and specifying the amount of principal to be prepaid and the amount of accrued interest thereon to the date of such prepayment.

This bond does not constitute an indebtedness of the City within any constitutional or statutory limitation or provision, and the taxing power of the City is not pledged to the payment of the

that purpose, identified as the "1977 Water Revenue Bond Fund," created by the Authorizing Ordinance. The pledge of revenues in favor of this bond is subordinate to the pledge of revenues in favor of the Water Revenue Bonds of the City dated March 1, 1955 (the "1955 Bonds"), February 1, 1960 (the "1960 Bonds"), January 1, 1962 (the "1962 Bonds"), and April 1, 1966 (the "1966 Bonds"). The City has fixed and has covenanted and agreed to maintain rates for use of the System which shall be sufficient at all times to at least provide for the payment of the principal of, interest on and Trustee's and Paying Agent's fees in connection with the 1955 Bonds, the 1960 Bonds, the 1962 Bonds, the 1966 Bonds and these bonds as the same become due, to establish and maintain required debt service reserves, to provide for depreciation of the System and to provide for the payment of the reasonable expenses of operation and maintenance of the System, all as set forth in the Authorizing Ordinance.

This bond may be assigned, and upon assignment the assignor shall promptly notify the Paying Agent by registered mail, and the assignee shall surrender this bond to the Paying Agent for transfer on the registration records and verification of the endorsement made on the payment record attached hereto of the portion of the principal amount hereof and interest hereon paid or prepaid, and every assignee shall take this bond subject to this condition.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and laws of the State of Arkansas to exist, happen and be performed precedent to and in the issuance of this bond, do exist, have happened and have been performed in regular and due time, form and manner as required by law; that this bond does not exceed any constitutional or statutory

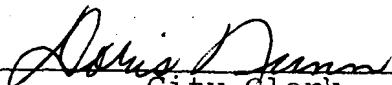
thereunto duly authorized, and its corporate seal to be affixed,
all as of the first day of November, 1977.

The interest commencement date of this bond is

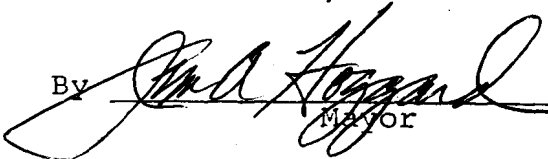
_____.

CITY OF CONWAY, ARKANSAS

ATTEST:



City Clerk

By 

Mayor

(SEAL)

PAYMENT RECORD

<u>Due Date</u>	<u>Principal Payment</u>	<u>Principal Balance Due</u>	<u>Interest Payment</u>	<u>Date</u>	<u>Signature of Paying Agent</u>
May 1, 1978					
November 1, 1978					
May 1, 1979					
November 1, 1979					
May 1, 1980					
November 1, 1980					
May 1, 1981					
November 1, 1981					
May 1, 1982					
November 1, 1982					
May 1, 1983					
November 1, 1983					
May 1, 1984					
November 1, 1984					
May 1, 1985					
November 1, 1985					
May 1, 1985					

<u>Due Date</u>	<u>Principal Payment</u>	<u>Principal Balance Due</u>	<u>Interest Payment</u>	<u>Date</u>	<u>Signature of Paying Agent</u>
May 1, 1988					
November 1, 1988					
May 1, 1989					
November 1, 1989					
May 1, 1990					
November 1, 1990					
May 1, 1991					
November 1, 1991					
May 1, 1992					
November 1, 1992					
May 1, 1993					
November 1, 1993					
May 1, 1994					
November 1, 1994					
May 1, 1995					
November 1, 1995					
May 1, 1996					

<u>Due Date</u>	<u>Principal Payment</u>	<u>Principal Balance Due</u>	<u>Interest Payment</u>	<u>Date</u>	<u>Signature of Paying Agent</u>
May 1, 1999					
November 1, 1999					
May 1, 2000					
November 1, 2000					
May 1, 2001					
November 1, 2001					
May 1, 2002					
November 1, 2002					
May 1, 2003					
November 1, 2003					
May 1, 2004					
November 1, 2004					
May 1, 2005					
November 1, 2005					
May 1, 2006					
November 1, 2006					
May 1, 2007					

<u>Due Date</u>	<u>Principal Payment</u>	<u>Principal Balance Due</u>	<u>Interest Payment</u>	<u>Date</u>	<u>Signature of Paying Agent</u>
May 1, 2010					
November 1, 2010					
May 1, 2011					
November 1, 2011					
May 1, 2012					
November 1, 2012					
May 1, 2013					
November 1, 2013					
May 1, 2014					
November 1, 2014					
May 1, 2015					
November 1, 2015					
May 1, 2016					
November 1, 2016					
May 1, 2017					
November 1, 2017					

PRINCIPAL INSTALLMENTS ON WHICH PAYMENTS
HAVE BEEN MADE PRIOR TO MATURITY

PRINCIPAL DUE DATE	AMOUNT	PRINCIPAL PAYMENT	BALANCE	DATE PAID	SIGNATURE OF PAYING AGENT
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Section 7. The City covenants and agrees with the holders of the bonds that the rates to be charged for water to be furnished and services to be rendered by the System, as established by ordinances of the City, duly adopted and approved, will always produce annual net revenues of the System equal to not less than 130% of the average annual principal and interest requirements of all bonds payable from System revenues. "Net revenues" are defined as gross revenues less operating expenses, as determined under generally accepted accounting principles applicable to municipal utility systems. The rates shall never be reduced until all outstanding bonds and coupons thereto attached have been paid and shall, from time to time when necessary, be increased to an amount sufficient to comply with the above covenant.

Section 8. 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 services or facilities so afforded shall be charged against the City or such department, agency or instrumentality and shall be paid for as the charges therefor accrue. The revenues so received shall be deemed to be revenue derived from the operation of the System and shall be used and accounted for in the same manner as any other revenues derived from the operation of the System; provided, however, that nothing herein shall be construed as requiring the City or any department, agency or instrumentality thereof to avail itself of the facilities and services afforded by the System.

From and after the delivery of any bonds issued under the provisions of this Ordinance, the System shall be continuously operated as a revenue producing undertaking. All moneys received by the Treasurer shall be deposited by him in such depository or depositories for the City as may be lawfully designated from time to time by the City Council; subject, however, to the giving of security as now or hereafter may be required by law, and provided that such depository or depositories shall hold membership in the Federal Deposit Insurance Corporation. All deposits shall be in the name of the City and shall be so designated as to indicate the particular fund to which the revenues belong. Any deposit in excess of the amount insured by the Federal Deposit Insurance Corporation shall be secured by bonds or other direct or fully guaranteed obligations of the United States of America.

Section 10. Waterworks Revenue Fund. All revenues derived from the operation of the System shall be paid into a special fund, designated "Waterworks Revenue Fund," heretofore created by Ordinance No. A-174, adopted January 10, 1939, which Fund is hereby confirmed and continued. Revenues in the Waterworks Revenue Fund are hereby pledged and shall be applied to the payment of the principal of and interest on all outstanding bonds (with Trustee's and Paying Agent's fees, if any) to which System revenues are pledged, to the establishment and maintenance of debt service reserves, to the providing of a depreciation fund and to payment of the expenses of operation and maintenance of the System, all in the manner hereinafter set forth in this Ordinance and the Ordinances authorizing the 1955 Bonds, the 1960 Bonds, the 1962 Bonds and the 1966 Bonds.

Section 11. On the first business day of each month there

Bonds, the 1962 Bonds and the 1966 Bonds. When all outstanding 1955 Bonds, 1960 Bonds, 1962 Bonds and 1966 Bonds have been paid, principal and interest, or provision made for their payment, then the transfers directed by this Section shall cease.

Nothing herein shall be construed to in any manner impair the security of the 1955 Bonds, the 1960 Bonds, the 1962 Bonds or the 1966 Bonds, or the priority of the pledge of revenues in favor of those bonds, but it is covenanted that when all of the 1955 Bonds, 1960 Bonds, 1962 Bonds and 1966 Bonds are paid (or the required provision made therefor), that the bonds of this issue will become first lien bonds in the sense that the pledge of revenues derived from the operation of the System in favor of these bonds will become a first and prior pledge on the revenues. Furthermore, it is expressly covenanted and agreed that the City will not issue or attempt to issue bonds ranking, or claimed to rank, on a parity of security with the 1955 Bonds, the 1960 Bonds, the 1962 Bonds or the 1966 Bonds.

Section 12. 1977 Water Revenue Bond Fund. (a) After making the required payments as provided in Section 11 above, there shall be paid into a special fund in the name of the City which is hereby created and designated "1977 Water Revenue Bond Fund" (the "Bond Fund"), the sums in the amounts and at the times herein 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, according to the following schedule, and to establish a debt service reserve:

YEAR	PRINCIPAL	INTEREST		TOTAL
		MAY 1	NOVEMBER 1	
1978		\$ 9,525.00	\$ 9,525.00	\$ 19,050.00
1979		9,525.00	9,525.00	19,050.00
1980	\$ 3,000	9,525.00	9,525.00	22,050.00
1981	4,000	9,450.00	9,450.00	22,900.00
1982	4,000	9,350.00	9,350.00	22,700.00
1983	4,000	9,250.00	9,250.00	22,500.00
1984	4,000	9,150.00	9,150.00	22,300.00
1985	4,000	9,050.00	9,050.00	22,100.00
1986	5,000	8,950.00	8,950.00	22,900.00
1987	5,000	8,825.00	8,825.00	22,650.00
1988	5,000	8,700.00	8,700.00	22,400.00
1989	5,000	8,575.00	8,575.00	22,150.00
1990	6,000	8,450.00	8,450.00	22,900.00
1991	6,000	8,300.00	8,300.00	22,600.00
1992	6,000	8,150.00	8,150.00	22,300.00
1993	7,000	8,000.00	8,000.00	23,000.00
1994	7,000	7,825.00	7,825.00	22,650.00
1995	7,000	7,650.00	7,650.00	22,300.00
1996	8,000	7,475.00	7,475.00	22,950.00
1997	8,000	7,275.00	7,275.00	22,550.00
1998	9,000	7,075.00	7,075.00	23,150.00
1999	9,000	6,850.00	6,850.00	22,700.00
2000	9,000	6,625.00	6,625.00	22,250.00
2001	10,000	6,400.00	6,400.00	22,800.00
2002	10,000	6,150.00	6,150.00	22,300.00
2003	11,000	5,900.00	5,900.00	22,800.00
2004	11,000	5,625.00	5,625.00	22,250.00
2005	12,000	5,350.00	5,350.00	22,700.00
2006	12,000	5,050.00	5,050.00	22,100.00
2007	13,000	4,750.00	4,750.00	22,500.00
2008	14,000	4,425.00	4,425.00	22,850.00
2009	15,000	4,075.00	4,075.00	23,150.00
2010	15,000	3,700.00	3,700.00	22,400.00
2011	16,000	3,325.00	3,325.00	22,650.00
2012	17,000	2,925.00	2,925.00	22,850.00
2013	18,000	2,500.00	2,500.00	23,000.00
2014	19,000	2,050.00	2,050.00	23,100.00
2015	20,000	1,575.00	1,575.00	23,150.00
2016	21,000	1,075.00	1,075.00	23,150.00
2017	22,000	550.00	550.00	23,100.00

(b) There shall be paid into the Bond Fund on the first business day of the month immediately following the month in which bonds are delivered and on the first 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 one-fifth (1/5) of the next installment of interest, plus one-tenth (1/10) of the next installment of principal on the bonds (plus any additional amount that may be necessary at the time of the delivery of the bonds to fully provide for the first interest payment on the bonds, if any additional amount be required), until a debt service reserve shall have been accumulated in the amount of \$23,000. When the debt service reserve has been accumulated in the required amount, the monthly payments into the Bond Fund may be reduced to one-sixth (1/6) of the next installment of interest, and one-twelfth (1/12) of the next installment of principal on the bonds, but if the debt service reserve becomes impaired, the payments of one-fifth (1/5) and one-tenth (1/10) shall be resumed until the impairment is cured.

(c) If the revenues of the System are insufficient to make the required payment on or before the first business day of the following 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.

(d) If, for any reason, the City Treasurer shall fail at any time to make any of the required payments into the Bond Fund, or if for any reason the Bond Fund shall be insufficient at any time to make the required payments for principal, and interest as due, any sums then held in the debt service reserve shall be used to the

(e) When the moneys held in the Bond Fund, including the debt service reserve, shall be and remain sufficient to pay the principal of and interest on all of the bonds then outstanding, the City Treasurer shall not be obligated to make any further payments into the Bond Fund.

(f) All moneys in the Bond Fund shall be used solely for the purpose of paying the principal of and interest on the bonds, except as herein specifically provided. If a surplus shall exist in the Bond Fund over and above the amount necessary to insure the payment, when due, of principal and interest and over and above the debt service reserve, such surplus shall, at the option of the City, either (1) be used for the prepayment or redemption of bonds prior to maturity, or (2) be used for the construction of improvements and extensions to the System.

(g) It shall be the duty of the City Treasurer to withdraw from the Bond Fund on or before the due date of any installment hereunder and to pay to the Paying Agent an amount equal to the amount of such installment plus the Paying Agents fees for such installment, and no withdrawal of funds from the Bond Fund shall be made for any other purpose except as otherwise authorized in this Ordinance. Deposits in the Bond Fund shall be at the sole risk of the City and shall not operate as a payment of the bonds or interest until so applied.

(h) The bonds of this issue 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

Section 13. Water Depreciation Fund. After making the required payments as provided in Section 11, and making the required payments into the Bond Fund, there shall be paid by the Treasurer from the Waterworks Revenue Fund into a fund designated "Depreciation Fund" on the first business day of each month, while any of the bonds are outstanding an amount equal to 10% of the revenues of the System for the preceding month which remain after making the monthly deposits required by Section 11 and Section 12. The Depreciation Fund was created by Ordinance No. A-174, adopted January 10, 1939, and is hereby confirmed and continued. Moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of replacements made necessary by the depreciation of the System.

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

Section 14. Water Operation and Maintenance Fund. After making the required payments provided for in Section 11, 12 and 13, there shall be paid by the Treasurer from the Waterworks Revenue Fund into a fund designated "Operation and Maintenance Fund," on the first business day of each month while any of the bonds are outstanding, an amount sufficient to pay the reasonable and necessary expenses of operation, repair, maintenance and the insuring of the System for such month and from which disbursements shall be made only for those purposes. Fixed annual charges such as insurance premiums and the cost of major repair and maintenance expenses may be computed and set up on an annual basis and one-twelfth (1/12) of the amount thereof may be

Section 15. All Bond Funds created and being maintained in connection with the 1955 Bonds, the 1960 Bonds, the 1962 Bonds and the 1966 Bonds shall, upon retirement of all bonds of the issue for which created, be abolished and all moneys on deposit in any such fund shall be transferred and deposited in the Waterworks Revenue Fund.

Section 16. Any surplus in the Waterworks Revenue Fund after making full provision for the other funds herein provided may be used, at the option of the City, for calling bonds for payment prior to maturity in accordance with the provisions set out in the bond form in Section 6 of this Ordinance, or for constructing extensions, betterments and improvements to the System.

Section 17. Payments from the respective funds shall be made by check or voucher signed by the City Treasurer and the Mayor and drawn on the depository with which the moneys in said funds shall have been deposited, and each such check or voucher shall briefly specify the purpose of the expenditure.

Section 18. The City hereby agrees that all payments on the bonds and interest shall be made only as provided in this Ordinance. All bonds paid or purchased either at or before maturity shall be canceled when such payment or purchase is made and held by the Treasurer and shall not be re-issued. All unpaid interest payments maturing on or prior to the date of such payment or purchase shall continue to be payable to the respective bearers thereof.

Section 19. The bonds shall be callable for payment prior to maturity in accordance with the terms set out in the bond form.

Section 20. As long as any of the bonds authorized hereby are outstanding, the City shall not issue or attempt to issue any bonds claimed to be entitled to a priority of lien on the revenues

Nothing herein shall be construed in any manner to prevent the issuance by the City of additional revenue bonds to finance or pay the cost of constructing extensions, betterments and improvements to the System; however, any such additional bonds shall not be issued on a parity with the outstanding bonds of this issue unless and until there shall have been procured and filed in the office of the City Clerk a statement by a certified public accountant not in the regular employ of the City reciting the opinion that the net revenues (net revenues being gross revenues of the System less operation and maintenance expenses) of the System for the fiscal year preceding the year in which such parity bonds are to be issued were not less than 130% of the average annual debt service requirements (principal, interest and trustee's and paying agent's fees) on all outstanding bonds to which the revenues of the System are pledged and the bonds then proposed to be issued.

Section 21. It is covenanted and agreed by the City with the holders and registered owners of the bonds (sometimes collectively referred to as "holder" or "holders"), or any of them, that it will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Arkansas, including making and collecting of reasonable and sufficient rates lawfully established for services rendered by the System, segregating the revenues of the System and applying them to the respective funds herein created.

Section 22. The City will keep proper books of accounts and records (separate from all other records and accounts) in which

available for inspection by the holder of any of the bonds at reasonable times and under reasonable circumstances. The City agrees to have these records audited by an independent Certified Public Accountant at least once each year. The City further covenants that it will cause to be prepared by an independent Certified Public Accountant at least once each year, an audit reflecting in reasonable detail the financial condition and record of operation of the City. Copies of both audits shall be delivered to any bondholder who shall request the same not later than ninety (90) days after the close of each fiscal year. In the event the City fails or refuses to make either audit, any holder of the bonds may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

Section 23. 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 bonds are outstanding, the City agrees that it 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 thereto from fire, lightning, tornado, winds, riot, strike, civil commotion, malicious damage, explosion and against loss or damage from any other causes customarily incurred against by private companies engaged in a similar type of business. The insurance policies are to be taken with companies approved by the owner of the 1977 Bonds and are either to be placed in the custody of the owner of the 1977 Bonds or satisfactory evidence of said insurance shall be filed with the owner of the 1977 Bonds.

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 Waterworks 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 available moneys in the Waterworks Revenue Fund. Nothing herein shall be construed as requiring the City to expend any funds for 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 herein shall be construed as preventing the City from doing so.

Section 24. So long as any of the bonds are outstanding, the City covenants and agrees that it will not mortgage, pledge or otherwise encumber the System or any part thereof, including any and all betterments and improvements thereto or any revenues therefrom, except as herein provided, and will not sell, lease or otherwise dispose of any substantial portion of the same. To the end that a record of the pledge of the revenues and of the agreement not to mortgage the System may be preserved, the City Clerk is hereby authorized and directed to file with the Circuit Clerk of Faulkner County, Arkansas, a copy of this Ordinance duly certified, with instructions that the same be recorded in the office of the Circuit Clerk as in the case of deeds and mortgages.

Section 25. The City covenants that it will not take any

Section 26. When the bonds herein authorized to be issued have been executed by the Mayor and City Clerk and the seal of the City impressed, as herein provided, they shall be delivered to the purchaser upon the payment of the purchase price.

The purchase price shall be remitted to the Treasurer and deposited in trust with a bank that is a member of the Federal Deposit Insurance Corporation, said deposit to be secured by bonds or other direct or fully guaranteed obligations of the United States of America, or by a corporate surety bond satisfactory to the Trustee, and said deposit shall be disbursed solely in payment of the cost of constructing the improvements, including engineering, legal and other necessary expenses incidental thereto, and to the issuance of the bonds, but only on warrants, checks or vouchers signed by the Treasurer and one other person designated by the City briefly specifying the nature of the disbursement or expenditure, and accompanied by a certificate signed by the engineer for such construction that an obligation in a stated amount has been incurred and to whom such obligation is owed, except that no such certificate shall be required before payment of engineering fees, legal fees, and the expenses of issuing the bonds. When the construction of the herein authorized improvements to the System has been completed, the project audit required by the Economic Development Administration has been completed and approved by the Economic Development Administration and the final and approved amount of the grant has been determined, these facts shall be evidenced by the filing with the depository in which the Construction Fund is deposited of a certificate signed by the City Treasurer and by the engineer in charge of the construction. Upon receipt of

designated by the City for signing checks on the Construction Fund. Any such remaining balance of such bond proceeds shall be deposited in the Bond Fund. The balance of grant funds, if any, remaining on hand shall be accounted for and disposed of according to the provisions of the Grant Agreement between the City and Economic Development Administration.

Section 27. (a) Moneys held for the credit of the Construction Fund which exceed the estimated disbursements on account of the project for the next ninety (90) days shall, as nearly as may be practicable, be continuously invested and reinvested by the City in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States Government, which mature not later than eighteen (18) months after the date of such investment. The earnings from any such investment shall be deposited in the Construction Fund.

(b) Moneys held for the credit of the debt service reserve in the Bond Fund shall be continuously invested and reinvested pursuant to the direction of the City in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States Government, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than ten (10) years after the date of such investment.

(c) Moneys held for the credit of any other fund may, at the option of the City, be invested and reinvested by the City in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States Govern-

(d) Obligations so purchased as an investment of moneys in any such fund shall be placed in the custody of the City Treasurer 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, earnings on investments of moneys in the debt service reserve which increase the amount thereof over \$23,000 may be transferred to the Waterworks Revenue Fund.

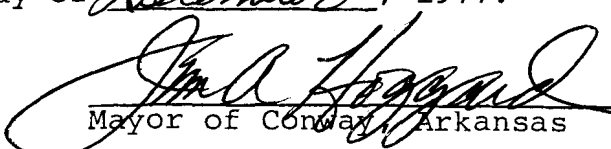
(e) Moneys so invested in United States Government obligations, as above defined, need not be secured by the depository bank.

Section 28. The holders of the bonds shall be entitled to all covenants and provisions contained in the ordinances authorizing the 1955 Bonds, the 1960 Bonds, the 1962 Bonds and the 1966 Bonds for the benefit of the holders of the 1955 Bonds, the 1960 Bonds, the 1962 Bonds and the 1966 Bonds, and all such provisions shall inure to the benefit of the holders of these bonds. In this regard, nothing herein shall be construed to in any manner impair the security of the 1955 Bonds, the 1960 Bonds, the 1962 Bonds or the 1966 Bonds, or the priority of the pledge on revenues in favor of those bonds, but it is covenanted that when the 1955 Bonds, 1960 Bonds, 1962 Bonds and 1966 Bonds are paid (or the required provision made therefor), that the bonds of this issue will become first lien bonds in the sense that the pledge of revenues derived from the operation of the System in favor of these bonds will become a first and prior pledge on the revenues.

NOTICE

Notice is hereby given that the City Council of the City of Conway, Arkansas, has adopted the Ordinance hereinafter set out; that the City contemplates the issuance of the Water Improvement Revenue Bonds described in the Ordinance; that any person interested may appear before the Council on the 10 day of January, 1978, at 6:30 P.m., at the usual meeting place of the Council held in Conway, 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 15 day of December, 1977.


Mayor of Conway, Arkansas

Section 30. The provisions of this Ordinance shall constitute a binding contract between the City and the holders of the bonds hereunder, and the City will at all times strictly adhere to the terms and provisions hereof and fully discharge all of its obligations hereunder. Subject to the terms and provisions contained in this Section and not otherwise, the holders of not less than seventy-five percent (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 herein shall permit or be construed as permitting (a) an extension of the maturity of the principal or interest on any bond issued hereunder, or (b) a reduction in the principal amount of any bond or the rate of interest therein, or (c) the creation of a lien upon or pledge of revenues other than as expressly authorized by the appropriate provisions of this Ordinance as now adopted, or (d) the creation of 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 31. This Ordinance shall not create any right of any kind, and no right of any kind shall arise hereunder pursuant to it, until the bonds authorized by this Ordinance shall be issued and

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

Section 34. It is hereby ascertained and declared that the Water System serving the City is inadequate for the needs of the City and the inhabitants thereof, thus endangering the life, health and safety of the inhabitants and their property, and that the improvements required to alleviate said hazards can be obtained only by the issuance of the bonds authorized hereby. 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: December 14, 1977.

APPROVED:

ATTEST:

Louis Dunn
City Clerk

John Hoggard
Mayor

(SEAL)

CERTIFICATE

The undersigned, City Clerk of the City of Conway, Arkansas, hereby certifies that the foregoing pages are a true and perfect copy of Ordinance No. 0-17-35, passed at a Regular session of the City Council of Conway, Arkansas, held at the regular meeting place of the Council at 6:30 P.m., on the 14 day of December, 1977, and that the Ordinance is of record in Ordinance Record Book No. 9 at Page 197, now in my possession.

GIVEN under my hand and seal this 15 day of December, 1977.

Devin Dunn
City Clerk

(SEAL)

CERTIFICATE OF RECORD

STATE OF ARKANSAS }
COUNTY OF FAULKNER } SS

I, LUCY GLOVER, Clerk and Ex-Officio Recorder within and for the county and state aforesaid, do hereby certify that the annexed and foregoing instrument of writing was filed for record in my office on the 28th day of December, 1977, at 9:30 o'clock A. M., and the same is now duly recorded, with acknowledgement _____ and certificate _____ thereon, in Record Book 162, Page 501.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of said Court this 29th day of December, 1977.

LUCY GLOVER, Clerk
By Donna Harris, D.C.