

ORDINANCE NO. 710

AN ORDINANCE AUTHORIZING THE CONSTRUCTION OF EXTENSIONS, BETTERMENTS, AND IMPROVEMENTS TO THE WATERWORKS OF THE CITY OF MONTICELLO, ARKANSAS; AUTHORIZING THE ISSUANCE AND SALE OF A WATERWORKS REVENUE BOND FOR THE PURPOSE OF FINANCING THE COST OF THE CONSTRUCTION, PAYING AN ADMINISTRATIVE FEE TO ARKANSAS SOIL AND WATER CONSERVATION COMMISSION, AND PAYING THE COST OF ISSUING THE BOND; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BOND; AND PRESCRIBING OTHER MATTERS RELATING THERETO.

BE IT ORDAINED by the City Council of the City of Monticello, Arkansas that:

SECTION 1. Certain terms used herein are defined in the bond form appearing in Section 5 of this Ordinance; other terms used herein shall have the following definitions:

“Accountant” means an independent certified public accountant not in the regular employ of the Issuer.

“ASWCC” means the Arkansas Soil and Water Conservation Commission, and successors.

“Authorized Officers” means Harold West, Mayor, and Cindy Fakouri, City Clerk.

“Bond” means City of Monticello, Arkansas Waterworks Revenue Capital Improvement Bond, Series 2001, authorized by this Ordinance in the Principal Amount.

“Code” means the Internal Revenue Code of 1986, as amended.

“Construction Fund” means a special fund created by this Ordinance and designated “Waterworks Revenue Bond Construction Fund, Series 2001.”

“Depreciation Fund” means a special fund created by this Ordinance and designated “Waterworks Depreciation Fund.”

“Memorandum of Agreement” means the Memorandum of Agreement between the Issuer and ASWCC, No. PAB- 00151-CGO-L , dated June 21, 2001, as now or hereafter revised.

“Operation and Maintenance Fund” means a special fund created by this Ordinance and designated “Waterworks Operation and Maintenance Fund.”

“Revenue Fund” means a special fund created by this Ordinance and designated “Waterworks Revenue Fund.”

“Series 1999 Bond” means the Issuer’s 5.15% Capital Improvement Revenue Bond (Sewer System Project), Series 1999, dated October 1, 1999, issued in the original principal amount of \$441,030.93.

SECTION 2. The Improvements shall be accomplished. Acquiring, constructing, and equipping the Improvements as more specifically described in the report prepared by the Project Consultant are hereby approved, authorized, and directed. The Authorized Officers are hereby authorized to take, or cause to be taken, all action necessary to accomplish the Improvements and to execute all required contracts and documents, including, but not limited to, the Memorandum of Agreement and a Non-Arbitrage Certificate. The City Council hereby finds and declares that the period of usefulness of the Waterworks will be more than 30 years, which is longer than the term of the Bond.

SECTION 3. (a) Under the authority of the laws of the State of Arkansas, including particularly the Act, the issuance of the Bond is hereby authorized and the Bond is ordered issued for the purpose of accomplishing the Improvements and paying necessary expenses incidental thereto, paying an administrative fee to ASWCC, and paying costs of issuance of the Bond.

(b) The Bond shall be initially dated the date of original issuance and delivery, shall mature on the Maturity Date, and shall bear interest from the Date of Issue at the Interest Rate.

(c) The Bond shall be issuable only as a fully registered Bond without coupons in one denomination and shall be numbered “R-1.”

(d) The Trustee is designated to act for the Registered Owner.

(e) The Bond, upon subsequent transfer, shall be exchanged for a new Bond dated as of the Payment Date to which interest has been paid, or if it is transferred prior to a date on which any interest has been paid, it shall be dated the Date of Issue. Principal and interest on the Bond shall be payable on the Payment Dates. Payment of each installment of principal and interest (except final payment) shall be made to the person in whose name the Bond is registered on the registration books of the Issuer maintained by the Trustee, as bond registrar, at the close of business on the Record Date, irrespective of any transfer or exchange of any such Bond subsequent to such Record Date, and prior to such Payment Date, by check or draft mailed by the Trustee to such Registered Owner, at the address of the Registered Owner shown on such registration books. Final payment of principal of the Bond shall be payable at the principal corporate trust office of the Trustee.

(f) Only such Bond as shall have endorsed thereon a Certificate of Authentication substantially in the form set forth herein duly executed by the Trustee shall be entitled to any right or benefit hereunder. No Bond shall be valid and obligatory for any purpose unless and until such Certificate of Authentication shall have been duly executed by the Trustee, and such certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered hereunder.

(g) In case the Bond shall become mutilated or be destroyed or lost, the Issuer shall 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 Registered Owner paying the reasonable expenses and charges of the Issuer and Trustee in connection therewith, and, in the case of, the Bond being destroyed or lost, filing with the Trustee evidence satisfactory to it that the Bond was destroyed or lost, and of ownership thereof, and furnishing the Issuer and Trustee with indemnity satisfactory to them. The Trustee is hereby authorized to authenticate any such new Bond. Upon the issuance of a new Bond under this Section, the Issuer 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.

(h) The Issuer shall cause to be maintained books for the registration and for the transfer of the Bond as provided herein and in the Bond. The Trustee shall act as the bond registrar. The Bond is transferable only at the principal office of the Trustee by the Registered Owner thereof or by the Registered Owner's attorney duly authorized in writing. Upon such transfer the ownership of the Bond shall be registered to the subsequent Registered Owner, and a new fully registered Bond of the same maturity, for the same Principal Amount, less the amount of partial redemption, if any, will be issued in exchange therefor to the subsequent Registered Owner.

(i) No charge shall be made to any Registered Owner of any Bond for the privilege of transfer, but any Registered Owner of the Bond requesting any such transfer 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 transfer and any other expenses of the Issuer or the Trustee incurred in connection therewith shall be paid by the Issuer.

(j) The person in whose name the Bond shall be registered shall be deemed and regarded as the absolute Registered Owner thereof for all purposes, and payment of or on account of the principal or interest on the Bond shall be made only to or upon the order of the Registered Owner thereof or legal representative of the Registered Owner, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Bond to the extent of the sum or sums so paid. Neither the Issuer nor the Trustee shall be affected by any notice to the contrary.

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

(l) The Bond shall be executed on behalf of the Issuer by the manual signatures of the Authorized Officers and the seal of the Issuer shall be affixed thereto.

SECTION 4. The sale of the Bond to ASWCC pursuant to the Memorandum of Agreement for the purchase price of par, plus accrued interest, if any, is hereby authorized subject to the Interest Rate, Maturity Date, and other terms and provisions set forth in detail herein. The Memorandum of Agreement, in substantially the form submitted to this meeting, is hereby approved. The Mayor is

hereby authorized and directed to execute and deliver the Memorandum of Agreement on behalf of the Issuer and to take all action required on the part of the Issuer to fulfill its obligations under the Memorandum of Agreement. The Mayor is further authorized and directed to execute and deliver any necessary revision to the Memorandum of Agreement on behalf of the Issuer in order to modify any provisions thereof to conform to the terms of this Ordinance.

SECTION 5. The Bond and the Trustee's Certificate of Authentication shall be in substantially the following form and the Authorized Officers are hereby expressly authorized and directed to make all recitals on behalf of the Issuer contained therein:

(Form of Bond)

REGISTERED

REGISTERED

No. R-1

\$1,200,000

UNITED STATES OF AMERICA
STATE OF ARKANSAS
CITY OF MONTICELLO, ARKANSAS

WATERWORKS REVENUE CAPITAL IMPROVEMENT BOND, SERIES 2001

As used in this Bond the following terms shall have the following definitions:

"Act" means Title 14, Chapter 234, Subchapter 2, of the Arkansas Code of 1987 Annotated (1998 Repl. & 1999 Supp.).

"Bond Fund" means a special fund which has been created by the Issuer's Authorizing Action and designated "2001 Waterworks Revenue Bond Fund."

"Date of Issue" means the date the Bond is issued and delivered to the original purchaser, which is [Insert Date of Issue].

"Dated Date" means the Date of Issue or, if this Bond is exchanged and registered to a subsequent Registered Owner, the Payment Date immediately prior to such exchange or registration.

"Improvements" means extensions, betterments, and improvements to the Waterworks, including particularly, without limitation, the improvement project known as the Gaster Hill Project.

"Interest Rate" means 4.35%.

"Issuer's Authorizing Action" means City of Monticello, Arkansas Ordinance No. [Insert Ordinance Number] duly adopted and approved by the Issuer on [Insert Date Ordinance Adopted].

"Issuer" means City of Monticello, Arkansas.

"Maturity Date" means June 1, 2011.

“Payment Date” means December 1, 2001 and every June 1 and December 1 thereafter.

“Payment Schedule” means [Insert Amount of First Payment] on December 1, 2001 and, thereafter, equal semiannual installments of \$74,633.00 on each Payment Date to and including December 1, 2010, with \$74,639.64 due on the Maturity Date.

“Principal Amount” means \$1,200,000.

“Project Consultant” means McClelland Consulting Engineers, Inc.

“Record Date” means the 15th day of the month (whether or not a business day) next preceding each Payment Date.

“Redemption Schedule” means the following schedule for optionally redeeming this Bond on the Redemption Dates at the Redemption Price (expressed as percentages of the Principal Amount) set forth in the following schedule, together with accrued interest to the Redemption Date:

Redemption Dates (Dates Inclusive)	Redemption Price
Prior to June 1, 2006	No Redemption
June 1, 2006 and thereafter	Par

“Trustee” means Regions Bank, Little Rock, Arkansas.

“Waterworks” means the waterworks system of the Issuer.

KNOW ALL MEN BY THESE PRESENTS:

That the Issuer, for value received, hereby promises to pay, by check or draft, to the order of Arkansas Soil and Water Conservation Commission or registered assigns (collectively, the “Registered Owner”), at the principal office of the Trustee, the Principal Amount with interest thereon, at the Interest Rate per annum shown above, in such coin or currency from the Dated Date hereof, payable as provided in the Payment Schedule until payment in full of such Principal Amount 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 allowed by law) at the rate borne by this Bond. Payments shall be first applied to accrued interest and the balance thereof shall be applied to principal. Payment shall be made to the person in whose name this Bond is registered on the registration books of the Issuer maintained by the Trustee at the close of business on the Record Date, irrespective of any transfer or exchange of this Bond, subsequent to the Record Date and prior to such Payment Date.

This Bond is issued for the purpose of financing and paying the costs of the construction of Improvements and paying necessary expenses incidental thereto, paying an administrative fee to the Arkansas Soil and Water Conservation Commission, and paying the costs of issuance of this Bond.

This Bond is issued pursuant to and in full compliance with provisions of the Constitution and laws of the State of Arkansas, including particularly the Act, and pursuant to the Issuer’s Authorizing

Action, and does not constitute an indebtedness of the Issuer within any constitutional or statutory limitation.

This Bond is not a general obligation of the Issuer, but is a special obligation of the Issuer payable solely from receipts received from the operation of the Waterworks (the "Revenues"). This Bond is secured by a statutory mortgage lien upon the Waterworks and a pledge by the Issuer of the Revenues pursuant to the provisions of the Act in favor of the Registered Owner of this Bond. The pledge of the Revenues is subject to a prior pledge in favor of the Issuer's 5.15% Capital Improvement Revenue Bond (Sewer System Project), Series 1999, dated October 1, 1999, issued in the original principal amount of \$441,030.93.

An amount of Revenues sufficient to pay the principal of and interest on this Bond has been duly pledged and set aside as a special fund for that purpose, and will be deposited from time to time into the Bond Fund created pursuant to the Issuer's Authorizing Action, under which this Bond is authorized to be issued. Reference is hereby made to the Issuer's Authorizing Action for a detailed statement of the terms and conditions upon which this Bond is issued, of the terms and conditions for the issuance of additional bonds, of the nature and extent of the security for this Bond, and of the rights and obligations of the Issuer, the Trustee, and the Registered Owner.

This Bond is subject (a) to mandatory redemption at par from bond proceeds not used to pay the cost of the Improvements on the first Payment Date following the date of the Project Consultant's completion certificate and (b) to redemption at the option of the Issuer pursuant to the Redemption Schedule. Notice of redemption identifying portions of this Bond to be redeemed shall be given by the Trustee, not less than 15 days prior to the date fixed for redemption, by mailing a copy of the redemption notice by first class mail, postage prepaid, to the Registered Owner. In the event of partial redemption, prepayments shall be applied in inverse order of maturity, the length of the Payment Schedule shall be reduced accordingly and the amount due on each Payment Date shall not be reduced.

The Issuer has fixed and has covenanted and agreed to maintain rates for the services of the Waterworks which shall be sufficient at all times to provide for the proper and reasonable expenses of operation and maintenance of the Waterworks and for the payment of the principal of and interest on this Bond, including Trustee's fees, if any, as the same become due and payable, to maintain any required debt service reserves, if any, and to make the required deposit for the depreciation of the Waterworks.

This Bond is transferable by the Registered Owner hereof only as provided in the Issuer's Authorizing Action. The Issuer and the Trustee may deem and treat the Registered Owner as the absolute owner hereof for the purpose of receiving payment of principal and interest due hereon and for all other purposes, and neither the Issuer nor the Trustee shall be affected by any notice to the contrary.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Issuer's Authorizing Action until it shall have been authenticated by execution of the Certificate of Authentication hereon duly signed by the Trustee. This Bond is issued with the intent that the laws of the State of Arkansas shall govern its construction.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all acts, conditions, and things required to exist, happen, and be performed under the Constitution and laws of the State of Arkansas, precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form, and manner as required by law; that the indebtedness represented by this Bond does not exceed any constitutional or statutory limitation; and that the Revenues have been pledged in accordance with the Act sufficient to pay this Bond and interest hereon until this Bond and interest hereon have been fully paid and discharged.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed by the undersigned Authorized Officers and its corporate seal to be affixed hereto, all as of the Dated Date shown above.

CITY OF MONTICELLO, ARKANSAS

By: _____

Mayor

ATTEST:

Cindy Feltner
City Clerk

(SEAL)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is issued under the provisions of the within mentioned Issuer's Authorizing Action.

REGIONS BANK, Trustee

By: _____

Authorized Signature

[Form of Assignment]

ASSIGNMENT

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

DATE: _____.

Transferor

GUARANTEED BY:

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

SECTION 6. Principal of and interest on the Bond shall be payable according to the Payment Schedule.

SECTION 7. (a) The Issuer hereby expressly pledges, mortgages, and appropriates to the Trustee all of the receipts received from the operation of the Waterworks (the “Revenues”) after the adoption hereof, to secure the equal and ratable payment of the principal of and interest on the Bond when due at maturity or at redemption prior to maturity, the payment of the fees and charges of the Trustee, and as security for the performance of all other obligations of the Issuer hereunder; and the Bond is hereby secured by the lien of such pledge; and the Revenues shall be used for no other purpose than to pay the principal of and interest on the Bond and Trustee’s fees, except as otherwise specifically provided herein. The pledge of the Revenues is subject to a prior pledge in favor of the Series 1999 Bond. The Bond and interest thereon shall not constitute an indebtedness of the Issuer within any constitutional or statutory limitation. The Bond is not a general obligation of the Issuer but is a special obligation of the Issuer payable solely from Revenues. Nothing herein shall be construed as requiring the Issuer to use any funds or revenues from any sources other than the Revenues for the payment of the Bond, but nothing herein shall be construed as prohibiting the Issuer from doing so. The Bond is hereby further secured by a statutory mortgage lien upon the facilities of the Waterworks which exists pursuant to the provisions of the Act, and applicable decisions of the Supreme Court of the State of Arkansas, including *City of Harrison v. Braswell*, 209 Ark. 1094, 194 S.W.2nd 12 (1946), in favor of the Registered Owner of the Bond. To the end that a record of the pledge of the Revenues, the statutory mortgage lien, and the agreements and obligations of the Issuer may be given notice of and preserved, an Authorized Officer is hereby authorized and directed to file

with the Drew County Circuit Clerk a copy of this instrument duly certified, with instructions that the same be recorded in the office of said Circuit Clerk as deeds, mortgages, and security interests are recorded.

(b) The Issuer, and the officers and employees of the Issuer, shall execute, perform, and carry out the terms of this pledge in strict conformity with the provisions of this Ordinance.

SECTION 8. All Revenues of the Waterworks shall be paid as and when received into a special fund hereby created and designated "Waterworks Revenue Fund." All moneys at any time in the Revenue Fund shall be applied to the payment of the reasonable and necessary expenses of operation and maintenance of the Waterworks, to the payment of the principal of and interest on the Series 1999 Bond, the Bond, and bonds subsequently issued secured by Revenues, to the maintenance of any required debt service reserves at the required levels, to the maintenance of the Depreciation Fund in the required amount, to the payment of the Trustee's fees, and otherwise as described herein. The 1999 Bond, the Bond, and bonds subsequently issued secured by Revenues of the Waterworks are referred to herein as "Waterworks Bonds."

SECTION 9. (a) The Bond Fund is hereby established and created as a trust fund with the Trustee and designated "2001 Waterworks Revenue Bond Fund." Moneys in the Bond Fund shall be used in the following order of priority as and when necessary solely for the following purposes:

- (1) to pay the Trustee's fees and expenses; and
- (2) to pay principal and interest on the Bond.

(b) After making the required monthly deposit into the a fund hereby created and designated "Waterworks Operation and Maintenance Fund" to pay the reasonable and necessary expenses of operation, repair, and maintenance of the Waterworks for such month, there shall be paid from the Revenue Fund into the Bond Fund, beginning on the first business day of the month immediately following the month in which the Bond is delivered, and continuing on or before the first business day of each month thereafter until the Bond with interest thereon have been paid in full, or provision made for such payment, a sum equal to (1) 1/6 of the installment of principal and interest coming due during the then next six months on the Bond and (2) an amount sufficient to provide for Trustee's fees. Credit shall be given on the monthly payments into the Bond Fund for any amounts of investment earnings thereon.

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

(d) When the moneys held in the Bond Fund shall be and remain sufficient to pay the principal of and interest on the Bond then outstanding and Trustee's fees in connection therewith, there shall be no obligation to make further payments into the Bond Fund.

(e) If a surplus shall exist in the Bond Fund over and above the amount required for making all principal and interest payments during the succeeding 12 months on the Bond, with Trustee's fees,

such surplus may be applied to the payment of the principal of the Bond to the extent that it may be called for redemption prior to maturity. All moneys deposited in the Bond Fund shall be expended within a 13-month period beginning on the date of deposit, and any amount received from investment of money held in the Bond Fund shall be expended within one year from the date of receipt and in any event all money in the Bond Fund in excess of a carryover amount not to exceed the greater of (1) one year's earnings on the Bond Fund, or (2) 1/12 of the annual debt service on the Bond, shall be depleted at least once a year as provided in this Section or by transfer to the Revenue Fund.

(f) In addition to other security pledged herein, the Bond shall be specifically secured by a pledge of all moneys and Revenues required to be placed into the Bond Fund. The pledge in favor of the Bond is hereby irrevocably made according to the terms hereof, and the Issuer and its officers and employees shall execute, perform, and carry out the terms thereof in strict conformity with the provisions hereof.

(g) When the Bond shall have been paid in full within the meaning hereof, the Trustee shall take all appropriate action to cause (1) the pledge and lien hereof to be discharged and canceled and (2) all moneys held by it pursuant hereto and which are not required for the payment of the Bond and Trustee's fees to be paid over or delivered to or at the direction of the Issuer.

SECTION 10. After making the required payments into the Operation and Maintenance Fund and the Bond Fund, there shall be paid from the Revenue Fund into a fund hereby created and designated "Waterworks Depreciation Fund," on or before the first business day of each month, 3% of the gross Revenues of the Waterworks for the preceding month. The moneys in the Depreciation Fund shall be used for the purpose of paying the cost of maintenance or repairs, renewals, or replacements, the cost of acquiring, installing, or repairing equipment, the cost of enlarging, extending, reconstructing, or improving the Waterworks or any part thereof, engineering expenses related to the foregoing, the cost of acquiring any lands, rights in land, easements, or franchises deemed by the Issuer to be necessary or useful in connection with the ownership or operation of the Waterworks, or premiums on insurance carried under the provisions hereof; provided, however, in the event that no other funds are available therefor, the moneys in the Depreciation Fund may be used to the extent necessary to prevent a default in the payment of the principal of and interest on the Bond as they mature.

SECTION 11. Any surplus in the Revenue Fund after making all disbursements for the operation and maintenance of the Waterworks and providing for all funds described above may be used, at the option of the Issuer, for the redemption of the Bond and other Waterworks Bonds prior to maturity in accordance with their respective redemption provisions; for extensions, betterments, and improvements to the Waterworks; or for any other lawful governmental purpose authorized by the Issuer.

SECTION 12. (a) When the Bond has been executed and sealed by the Authorized Officers, it shall be delivered to the Trustee, which shall authenticate it and deliver it to ASWCC upon payment of par plus accrued interest from the Date of Issue to the date of delivery, if any ("total sale proceeds"). The accrued interest, if any, shall be deposited in the Bond Fund; an administrative fee of 3% of the principal amount of the Bond shall be paid to ASWCC as an administrative fee; and

thereafter the total sales proceeds shall be deposited in the Construction Fund, which is hereby created with the Trustee and designated "Waterworks Revenue Bond Construction Fund, Series 2001."

(b) The moneys in the Construction Fund shall be used for accomplishing the Improvements, paying expenses incidental thereto, and paying expenses of issuing the Bond, with any unexpended balance to be deposited in the Bond Fund. Disbursements shall be made from the Construction Fund on the basis of consecutively numbered written requisitions which shall specify: the name of the person, firm, or corporation to whom payment is to be made; the amount of the payment; the purpose of the payment; and that the payment is a proper charge on the Construction Fund. If any such payment is a reimbursement to the Issuer for funds expended prior to the Date of Issue, the Issuer shall certify that it has complied with the United States Treasury Regulation No. 1.150-2. Each requisition must be signed by an agent of the Registered Owner, an Authorized Officer, and, in case of work over which the Project Consultant shall exercise supervision, an agent of the Project Consultant, and the check drawn upon the Construction Fund shall be payable to the person, firm, or corporation designated in the requisition. The Trustee shall be required to keep records of all requisitions reflecting all payments made from the Construction Fund.

(c) When the Improvements have been completed and all required expenses paid and expenditures made from the Construction Fund for and in connection with the accomplishment of the Improvements and the financing thereof, this fact shall be evidenced by a certificate signed by an Authorized Officer and an agent of the Project Consultant which certificate shall state, among other things, the date of the completion and that all obligations payable from the Construction Fund have been discharged (the "Completion Certificate"). A copy of the Completion Certificate shall be filed with the Trustee and upon receipt thereof the Trustee shall transfer any remaining balance to the Bond Fund.

SECTION 13. (a) Moneys held for the credit of the Depreciation Fund, the Revenue Fund, the Operation and Maintenance Fund, the Bond Fund, and the Construction Fund shall be invested and reinvested pursuant to the direction of the Issuer, and, in the case of the Bond Fund and the Construction Fund, in the Trustee's discretion in the absence of any direct instructions from the Issuer, in Government Securities (which for purposes hereof are hereby defined to mean direct or fully guaranteed obligations of the United States of America), in certificates of deposit of banks, including the Trustee, which are insured by the Federal Deposit Insurance Corporation ("FDIC"), or, if in excess of \$100,000, are collateralized by Government Securities or other securities authorized by Arkansas law to secure public funds, or in other investments as may, from time to time, be permitted by law and approved by the Registered Owner, which shall mature, or which investments shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when such money will be required for the purposes intended.

(b) 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.

(c) Moneys so invested in Government Securities or certificates of deposit of banks to the extent insured by FDIC need not be secured by the depository bank or banks. Except as set forth in the preceding sentence, all deposits of Revenues shall be collateralized by the pledge of Government Securities in such a manner as to be perfected against the claims of innocent creditors under the Financial Institution Reform, Recovery and Enforcement Act of 1989 and the Arkansas Uniform Commercial Code.

(d) In determining the value of the Bond Fund, the Trustee shall credit investments at the market value thereof, as determined by the Trustee by any method selected by the Trustee in its reasonable discretion. No less frequently than annually, and in any event on December 31 each year, the Trustee shall determine the value of each such fund and shall report such determination to the Issuer and the Registered Owner. The Trustee shall sell or present for redemption any investments as necessary to provide money for the purpose of making any payment required hereunder. To the extent that any loss or reduction in value reduces the value of any such fund to a level lower than the level required hereunder, such loss or reduction shall be made up in each fund in the priority established herein for payments from the Revenue Fund. The Trustee shall not be liable for any loss resulting from any such sale.

SECTION 14. (a) The Bond shall be subject to redemption prior to maturity in accordance with the terms set out in the bond form herein. The Issuer hereby covenants to use Bond proceeds not necessary to pay the cost of the Improvements, the administrative fee of ASWCC, and the cost of issuing the Bond to redeem the Bond at par on the first Payment Date following the date of the Completion Certificate.

(b) The Bond shall be deemed paid when (1) there has been deposited with the Trustee an amount sufficient to pay the principal or redemption price of and interest on the Bond to the Maturity Date or redemption, plus all fees of the Trustee, or (2) there has been deposited with the Trustee, Government Securities that mature according to their terms and are non-callable or redeemable at the option of the holder thereof on or prior to the Maturity Date or redemption of the Bond and the principal or redemption price of and interest on which, together with any moneys on deposit with the Trustee, will provide an amount sufficient to pay in full the principal or redemption price of and interest on the Bond when due plus the fees of the Trustee; provided that such deposit will not affect the tax exempt status of the interest on the Bond or cause the Bond to be classified as an arbitrage bond within the meaning of section 148 of the Code, and provided further, that if the Bond is to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given as provided in the Bond Form. If the Bond is called for redemption and funds are duly provided in accordance with this Ordinance prior to the date fixed for redemption, the Bond will cease to bear interest on such redemption date. Prepayment of less than all outstanding principal shall be applied in inverse order of maturity.

(c) In determining the sufficiency of the deposit there shall be considered the principal amount of such Government Securities and interest to be earned thereon until the maturity of such Government Securities.

(d) On the payment in full of the Bond within the meaning hereof, the Trustee shall hold in trust, for the benefit of the Registered Owner, all such moneys and/or Government Securities.

(e) The Bond paid either at or before maturity shall be cancelled and shall not be reissued.

SECTION 15. So long as the Bond is outstanding, it is hereby covenanted and agreed by the Issuer with the Registered Owner that:

(a) The Issuer covenants and agrees that the rates charged for services of the Waterworks heretofore fixed and established are not less than the minimum necessary to produce and will hereafter produce, and shall be maintained in amounts necessary to produce, total Revenues at all times at least sufficient to: pay operation and maintenance expenses of the Waterworks; pay the principal of and interest on outstanding Waterworks Bonds as the same become due; maintain any required debt service reserves in the required amounts; pay the Trustee's fees; and make the required deposits into the Depreciation Fund. The Issuer further covenants that the rates shall never be reduced while the Bond is outstanding unless (1) there is obtained from an Accountant a certificate that the net revenues of the Waterworks that will be derived from the proposed new rates, based upon the previous 12 months of consumption, will be sufficient in amount for making the required deposit into the Depreciation Fund, and for maintenance of any required debt service reserves in the required amounts, and leave a balance equal to at least 115% of the average annual principal and interest requirements on all outstanding Waterworks Bonds and (2) the Issuer is not in default hereunder. The Issuer further covenants and agrees that the rates shall be maintained in such manner as will provide net revenues at least sufficient to provide the required deposits into the Depreciation Fund and to leave a balance amount equal to not less than 115% of the average annual principal and interest requirements for all Waterworks Bonds outstanding. The term "net revenues" as used in this Section, means all Revenues, less the expenses of operation and maintenance of the Waterworks, including all expense items properly attributable to the operation and maintenance of the Waterworks determined in accordance with generally accepted accounting principles applicable to government owned facilities similar to the Waterworks, excluding depreciation and debt service expenses.

(b) The Issuer covenants and agrees that it will diligently collect the Revenues and continuously operate the Waterworks as a revenue-producing undertaking.

(c) The Issuer covenants that so long as the Bond is outstanding, that it will not mortgage, pledge, or otherwise encumber the Waterworks, or any part thereof or any Revenues, except as herein specifically provided, and will not sell, lease, or otherwise dispose of any substantial portion of the same. Nothing herein shall be construed to prohibit the Issuer from disposing of worn out or obsolete Waterworks properties or from disposing of properties not being used and not useful in the operation of the Waterworks, provided that all receipts derived from the disposition of such properties shall be deposited in the Revenue Fund.

(d) The Issuer covenants and agrees that it will duly observe and comply with all valid requirements of any governmental authority relative to the Waterworks, that it will not create or suffer to be created any lien or charge upon the Waterworks or any part thereof or upon the Revenues, except in accordance with the provision hereof, and that, from such Revenues, it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within 60 days after the same shall accrue, all lawful claims and demands for labor, materials, supplies, or other objects which, if unpaid, might by law become a lien upon the Waterworks or any part thereof or upon the Revenues therefrom; provided, however that nothing in this Section contained shall require

the Issuer to pay or cause to be discharged, or make provision for, any such lien or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

(e) To the extent comparable protection is not otherwise provided to the satisfaction of the Trustee, the Issuer covenants and agrees that it will keep the Waterworks facilities insured against loss or damage and maintain public liability and property damage insurance against claims for bodily injury or death and damage to property occurring upon, in, or about the Waterworks facilities, in each case in an amount and against such risks as are usually insured against in connection with similar facilities and undertakings as the Waterworks. The Issuer further covenants, to the extent comparable protection is not otherwise provided to the satisfaction of the Trustee, that it will maintain adequate facility insurance or bonds on all officers or employees responsible for handling funds of the Waterworks. All insurance required by this subsection shall be effected with reputable insurance companies selected by the Issuer, which usually insure risks similar in nature and monetary exposure. Policies of insurance provided for herein shall name the Trustee as a beneficiary to the extent of its interest hereunder. Copies of certificates of the insurance provided for herein, or summaries thereof, shall be placed on file with the Trustee.

(f) The Issuer covenants and agrees that it will not issue any bond, or incur any obligation, either (1) secured by a prior lien on or pledge of the Revenues or (2) on a parity of security with the Bond, except the Issuer reserves the right to issue additional bonds to finance or pay the cost of constructing any future extensions, betterments, or improvements to the Waterworks or to refund Waterworks Bonds, but the Issuer shall not authorize or issue any such additional bonds ranking on a parity with the Bond unless and until there has been procured and filed with the Issuer and the Trustee a statement by an Accountant reciting the opinion, based upon necessary investigation, that the net revenues of the Waterworks for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 115% of the maximum annual principal and interest requirements on all the then outstanding Waterworks Bonds and the additional bonds then proposed to be issued. For the purposes of the computation required by this Section, if, prior to the issuance of the additional bonds and subsequent to the first day of such preceding fiscal year, the Issuer shall have increased its rates or charges imposed for services of the Waterworks, there may be added to the net revenues of such fiscal year the additional net revenues which would have been received from the operation of the Waterworks during such fiscal year had such increase been in effect throughout such fiscal year, as reflected by a certificate of a duly qualified consulting engineer not in the regular employ of the Issuer.

(g) The Issuer covenants and agrees that it will faithfully and punctually perform all duties with reference to the Revenues and the Bond, and apply the Revenues as required herein and by the Constitution and laws of the State of Arkansas.

(h) The Issuer covenants and agrees that it will forthwith proceed to construct the Improvements for which the Bond shall be issued in accordance with plans and specifications which shall have been approved by the Project Consultant, and in conformity with law and all requirements of all governmental authorities having jurisdiction thereover, and that it will expeditiously complete such construction.

(d) The Trustee may, and upon the written request of the Registered Owner 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 hereof 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.

(e) Any costs of enforcement of the obligations of the Issuer hereunder, including reasonable attorney's fees, shall be paid by the Issuer and shall constitute obligations of the Issuer hereunder.

SECTION 19. In the event this body or the office of the Authorized Officers shall be abolished or any offices shall be merged or consolidated or in the event the duties of a particular office shall be transferred to another officer or officers, or in the event of a vacancy in any such office by reason of death, resignation, removal from office, or otherwise, or in the event any such officer shall become incapable of performing the duties of his or her office by reason of sickness, absence from the Issuer, or otherwise, all powers conferred and all obligations and duties imposed upon such office or officer shall be performed by the office or officers succeeding to the principal functions thereof, or by the office or officer upon whom such powers, obligations, and duties shall be imposed by law.

SECTION 20. The Trustee shall be responsible for the exercise of good faith and ordinary prudence in the execution of its respective trusts. The recitals herein and in the face of the Bond are the recitals of the Issuer and not of the Trustee. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the Registered Owner and shall have been offered reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby. The Trustee may resign at any time by 30 days' notice in writing to the Authorized Officers and the Registered Owner, and the Registered Owner at any time, with or without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, the Registered Owner may appoint a new Trustee, such appointment to be evidenced by a written instrument or instruments filed with the Authorized Officers. If the Registered Owner shall fail to fill a vacancy after the same shall occur, then the Issuer shall forthwith designate a new Trustee by a written instrument filed in the office of the Issuer. The Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts imposed upon it hereby, but only upon the terms and conditions set forth herein and subject to the provisions hereof, to all of which the Registered Owner, by accepting delivery of the Bond, agrees. Such written acceptance shall be filed with the Authorized Officers. Any successor Trustee shall have all the powers herein granted to the original Trustee.

SECTION 21. (a) The terms hereof shall constitute a contract between the Issuer and the Registered Owner and no variation or change in the undertaking herein set forth shall be made while the Bond is outstanding, except as hereinafter set forth in subsection (b), and the Registered Owner may at any time for and on the Registered Owner's own behalf enforce the obligations of the Issuer by a proper suit for that purpose.

(b) The Trustee may from time to time, and at any time consent to any amendment, change, or modification hereof or the adoption of any supplement hereto for the purpose of curing any ambiguity, or formal defect or omission, or implementing any of the provisions hereof, provided, however, that the Trustee shall not consent to any other amendment, change, or modification hereof

or to the adoption of any supplement hereto without the approval or consent of the Registered Owner, and provided further, that nothing herein contained shall permit or be construed as permitting (1) an extension of the maturity of the principal of or the interest on any Bond issued hereunder, or (2) a reduction in the principal amount of the Bond or the rate of interest thereon, or (3) the creation of a pledge of Revenues superior to the pledge created hereby.

SECTION 22. (a) The Issuer covenants with the Registered Owner, who otherwise might qualify by law to treat interest on the Bond as tax-exempt, that it shall not take any action or suffer or permit any action to be taken or condition to exist which causes or may cause the interest payable on the Bond to be subject to federal income taxation pursuant to existing laws at the time of issuance; and it shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest payable on the Bond shall be exempt from federal income taxation pursuant to existing laws at the time of issuance. Without limiting the generality of the foregoing, the Issuer covenants that the proceeds of the sale of the Bond will not be used directly or indirectly in such manner as to cause the Bond to be treated as an "arbitrage bond" within the meaning of section 148 of the Code.

(b) The Issuer represents and covenants that it has not used or permitted the use of, and covenants that it will not use or permit the use of the Improvements or the proceeds of the Bond, in such a manner as to cause the Bond to be a "private activity bond" within the meaning of section 141 of the Code. In this regard, the Issuer covenants that (1) it will not use (directly or indirectly) the proceeds of the Bond to make or finance loans to any person, (2) that while the Bond is outstanding the Waterworks and the Improvements will only be used by persons on a basis as members of the general public, and (3) that charges for use of the Waterworks while the Bond is outstanding will be based upon rates for usage only and not by a take or pay contract with any non-governmental person.

(c) The Issuer represents and covenants that it will take no action which would cause the Bond to be "federally guaranteed" within the meaning of section 149(b) of the Code. Nothing in this Section prohibits investments in bonds issued by the United States Treasury.

(d) The Issuer certifies that (1) it is a governmental unit of the State of Arkansas, (2) 95% of the net proceeds of the sale of the Bond will be used for governmental activities of the Issuer within its jurisdiction, and (3) it and its subordinate entities, if any, have not issued and will not issue during 2001 tax-exempt obligations (other than private activity bonds) having an aggregate face amount in excess of \$5,000,000.

(e) The Issuer agrees to make all filings with the Internal Revenue Service (specifically including Form 8038G) that are required from time to time to assure that the Bond is and will remain an obligation on which the interest is excluded from gross income of the holder under section 103(a) of the Code.

(f) Neither the Issuer nor any related person (as defined in section 147(a)(2) of the Code) shall acquire the Bond or the general obligation bond issued by the Registered Owner in order to provide loans to finance the Improvements.

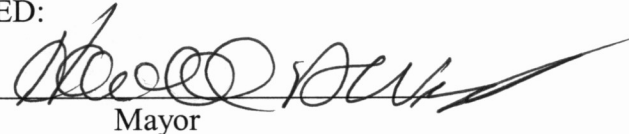
SECTION 23. The provisions hereof are hereby declared to be separable and if any provision shall for any reason be held illegal or invalid, such holding shall not affect the validity of the remainder hereof.

SECTION 24. All actions, ordinances, and resolutions or parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

ADOPTED THIS DATE: June 21, 2001.

APPROVED:

By: _____



Mayor

ATTEST:

Cindy Fakhari
City Clerk

(SEAL)

CERTIFICATE

The undersigned hereby certifies that the foregoing pages are a true and correct copy of an Ordinance, adopted at a regular session of the City Council of the City of Monticello, Arkansas, held at the regular meeting place on June 21, 2001, and recorded in Book No. 4, Page —, now in my possession.

GIVEN under my hand and seal this 21 day of June, 2001.

Cindy Falowri
City Clerk

(SEAL)

6663

INVOICE

advance printing company

Publishers of the ADVANCE MONTICELLONIAN & DREW COUNTY SHOPPERS' GUIDE

367-5325 P.O. Box 486 Monticello, AR 71655

Date 6-28-01

To City of Monticello

DATE	DESCRIPTION	PRICE	AMOUNT
6-27	# 6663 -		
	Ord # 710		2219.00
	102.04.5904		
	Easter Hill Water Tank		
	Well		
	Andy Johnson		

IMPORTANT-PLEASE READ!
All accounts due in full by the 10th of the month following purchase. Service charge will be added to delinquent account.

Proof of Publication

STATE OF ARKANSAS
COUNTY OF DREW.

I, Tom White : do swear that I am Editor, Chief Accountant of the

ADVANCE MONTICELLONIAN, a weekly newspaper published in Drew County, Arkansas, having an actual and

bona fide circulation in the City of Monticello and in said county and that the NOTICE, of which the annexed and

attached is a true copy, was published for 1 consecutive weeks,

as follows, to-wit: 6-27-01

Subscribed and sworn to before me this 28 day of June 2001

Tom White
Glenn White
Notary Public Clerk

My Commission Expires 4-15-07

