

ORDINANCE NO. 2010-09

AN ORDINANCE AUTHORIZING THE ISSUANCE OF SALES AND USE TAX REFUNDING BONDS FOR THE PURPOSE OF REFINANCING THE COST OF CAPITAL IMPROVEMENTS; PLEDGING COLLECTIONS OF A 1% SALES AND USE TAX TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS; PRESCRIBING OTHER MATTERS RELATING THERETO; AND DECLARING AN EMERGENCY.

WHEREAS, the City of Clinton, Arkansas (the "City") has previously issued, under Amendment No. 62 to the Constitution of the State of Arkansas and under Title 14, Chapter 164, Subchapter 3 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), its Sales and Use Tax Bonds, Series 2001 and Series 2004 (collectively, the "Bonds Refunded") for the purpose of refinancing the costs of acquiring, constructing and equipping extensions, betterments and improvements to the City's sewer system (the "Improvements"); and

WHEREAS, the City Council has determined the City will be able to achieve significant debt service savings by refunding the Bonds Refunded; and

WHEREAS, the City can obtain the necessary funds for the refunding of the Bonds Refunded (the "refunding") by the issuance of Sales and Use Tax Refunding Bonds, Series 2010, in the aggregate principal amount of \$3,010,000 (the "Series 2010 Bonds") and by appropriating available funds held for the Bonds Refunded; and

WHEREAS, the City has made arrangements for the sale of the Series 2010 Bonds to Morgan Keegan & Company, Inc. (the "Purchaser"), at a price of \$2,951,807.95 (principal amount less \$10,032.05 of net original issue discount and less \$48,160 of underwriter's discount) plus accrued interest (the "Purchase Price"), pursuant to a Bond Purchase Agreement between the Purchaser and the City (the "Purchase Agreement"), which has been presented to and is before this meeting; and

WHEREAS, the Preliminary Official Statement, dated October 1, 2010, offering the Series 2010 Bonds for sale (the "Preliminary Official Statement"), has been presented to and is before this meeting; and

WHEREAS, the Continuing Disclosure Agreement between the City and Simmons First Trust Company, N.A., Pine Bluff, Arkansas, as Dissemination Agent (the "Disclosure Agreement"), providing for the ongoing disclosure obligations of the City with respect to the Series 2010 Bonds, has been presented to and is before this meeting;

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

Section 1. The refunding shall be accomplished. The Mayor and City Recorder are hereby authorized to take, or cause to be taken, all action necessary to accomplish the same. The Bonds Refunded shall be called for redemption on the date the Series 2010 Bonds are issued at a redemption price equal to the principal amount outstanding plus accrued interest.

Section 2. The offer of the Purchaser for the purchase of the Series 2010 Bonds from the City at the Purchase Price, for Series 2010 Bonds bearing interest at the rates per annum, maturing and otherwise subject to the terms and provisions hereafter in this Ordinance set forth in detail is hereby accepted. The Mayor is hereby authorized and directed to execute and deliver the Purchase Agreement on behalf of the City and to take all action required on the part of the City to fulfill its obligations under the Purchase Agreement.

Section 3. The Preliminary Official Statement is hereby approved and the previous use of the Preliminary Official Statement by the Purchaser in connection with the sale of the Series 2010 Bonds is hereby in all respects approved and confirmed, and the Mayor is hereby authorized and directed, for and on behalf of the City, to execute the Preliminary Official Statement and the final Official Statement for use in connection with the sale of the Series 2010 Bonds as set forth in the Purchase Agreement.

Section 4. Under the authority of the Constitution and laws of the State, including particularly Amendment No. 62 to the Constitution of the State and the Authorizing Legislation, City of Clinton, Arkansas Sales and Use Tax Refunding Bonds, Series 2010 are hereby authorized and ordered issued in the aggregate principal amount of \$3,010,000, the proceeds of the sale of which are necessary, along with available funds appropriated hereby, to provide sufficient funds to accomplish the refunding, to pay expenses incidental thereto, to pay expenses of issuing the Series 2010 Bonds and to fund a debt service reserve. The Series 2010 Bonds and any Additional Parity Bonds issued under Section 11 hereof are referred to herein collectively as the "bonds".

The Series 2010 Bonds shall bear interest at the rates and shall mature on March 1 in the amounts and in the years as follows:

<u>Year</u> <u>(March 1)</u>	<u>Amount</u>	<u>Interest Rate</u>
2011	\$ 80,000	2.000%
2012	285,000	2.000
2013	290,000	2.000
2014	295,000	2.000
2015	300,000	2.250
2016	310,000	2.500
2017	315,000	2.750
2018	265,000	3.000
2019	275,000	3.250
2020	285,000	3.500
2021	310,000	3.625

The Series 2010 Bonds shall be issuable only as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. Unless the City shall otherwise direct, the Series 2010 Bonds shall be numbered from 1 upward in order of issuance. Each Series 2010 Bond shall have a CUSIP number but the failure of a CUSIP number to appear on any Series 2010 Bond shall not affect its validity.

Each Series 2010 Bond shall be dated as of November 1, 2010. Interest on the Series 2010 Bonds shall be payable on March 1, 2011, and semiannually thereafter on March 1 and September 1 of each year. Payment of each installment of interest shall be made to the person in whose name the Series 2010 Bonds are registered on the registration books of the City maintained by Simmons First Trust Company, N.A., Pine Bluff, Arkansas, as Trustee and Paying Agent (the "Trustee"), at the close of business on the fifteenth day of the month (whether or not a business day) next preceding each interest payment date (the "Record Date"), irrespective of any transfer or exchange of any such Series 2010 Bond subsequent to such Record Date and prior to such interest payment date, by check or draft mailed by the Trustee to such owner at his address on such registration books. Principal of the Series 2010 Bonds shall be payable at the corporate trust office of the Trustee.

Each Series 2010 Bond shall bear interest from the payment date next preceding the date on which it is authenticated unless it is authenticated on an interest payment date, in which event it shall bear interest from such date, or unless it is authenticated prior to the first interest payment date, in which event it shall bear interest from November 1, 2010, or unless it is authenticated during the period from the Record Date to the next interest payment date, in which case it shall bear interest from such interest payment date, or unless at the time of authentication thereof interest is in default thereon, in which event it shall bear interest from the date to which interest has been paid.

The Series 2010 Bonds shall be registered initially in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"), which shall be considered to be the registered owner of the Series 2010 Bonds for all purposes under this Ordinance, including, without limitation, payment by the City of principal of, redemption price, premium, if any, and interest on the Series 2010 Bonds, and receipt of notices and exercise of rights of registered owners. There shall be one certificated, typewritten Series 2010 Bond per maturity which shall be immobilized in the custody of DTC with the beneficial owners having no right to receive the Series 2010 Bonds in the form of physical securities or certificates. DTC and its participants shall be responsible for maintenance of records of the ownership of beneficial interests in the Series 2010 Bonds by book-entry on the system maintained and operated by DTC and its participants, and transfers of ownership of beneficial interests shall be made only by DTC and its participants, by book-entry, the City having no responsibility therefor. DTC is expected to maintain records of the positions of participants in the Series 2010 Bonds, and the participants and persons acting through participants are expected to maintain records of the purchasers of beneficial interests in the Series 2010 Bonds. The Series 2010 Bonds as such shall not be transferable or exchangeable, except for transfer to another securities depository or to another nominee of a securities depository, without further action by the City.

If any securities depository determines not to continue to act as a securities depository for the Series 2010 Bonds for use in a book-entry system, the City may establish a securities depository/book-entry system relationship with another securities depository. If the City does not or is unable to do so, or upon request of the beneficial owners of all outstanding Series 2010 Bonds, the City and the Trustee, after the Trustee has made provision for notification of the beneficial owners by the then securities depository, shall permit withdrawal of the Series 2010 Bonds from the securities depository, and authenticate and deliver Series 2010 Bond certificates in fully registered form (in denominations of \$5,000 or integral multiples thereof) to the assigns of the securities depository or its nominee, all at the cost and expense (including costs of printing definitive Series 2010 Bonds) of the City, if the City fails to maintain a securities depository/book-entry system, or of the beneficial owners, if they request termination of the system.

Prior to issuance of the Series 2010 Bonds, the City shall have executed and delivered to DTC a written agreement (the "Representation Letter") setting forth (or incorporating therein by reference) certain undertakings and responsibilities of the City with respect to the Series 2010 Bonds so long as the Series 2010 Bonds or a portion thereof are registered in the name of Cede & Co. (or a substitute nominee) and held by DTC. Notwithstanding such execution and delivery of the Representation Letter, the terms thereof shall not in any way limit the provisions of this Section or in any other way impose upon the City any obligation whatsoever with respect to persons having interests in the Series 2010 Bonds other than the registered owners, as shown on the registration books kept by the Trustee. The Trustee shall take all action necessary for all representations of the City in the Representation Letter with respect to the Trustee to at all times be complied with.

The authorized officers of the Trustee and the City shall do or perform such acts and execute all such certificates, documents and other instruments as they or any of them deem necessary or advisable to facilitate the efficient use of a securities depository for all or any portion of the Series 2010 Bonds; provided that neither the Trustee nor the City may assume any obligations to such securities depository or beneficial owners of Series 2010 Bonds that are inconsistent with their obligations to any registered owner under this Ordinance.

Only such Series 2010 Bonds as shall have endorsed thereon a Certificate of Authentication substantially in the form set forth in Section 6 hereof (the "Certificate") duly executed by the Trustee shall be entitled to any right or benefit under this Ordinance. No Series 2010 Bond shall be valid and obligatory for any purpose unless and until the Certificate shall have been duly executed by the Trustee, and the Certificate of the Trustee upon any such Series 2010 Bond shall be conclusive evidence that such Series 2010 Bond has been authenticated and delivered under this Ordinance. The Certificate on any Series 2010 Bond shall be deemed to have been executed if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the Certificate on all of the Series 2010 Bonds.

In case any Series 2010 Bond shall become mutilated or be destroyed or lost, the City shall, if not then prohibited by law, cause to be executed and the Trustee may authenticate and deliver a new Series 2010 Bond of like date and tenor in exchange and substitution for and upon cancellation of such mutilated Series 2010 Bond, or in lieu of and in substitution for such

Series 2010 Bond destroyed or lost, upon the owner paying the reasonable expenses and charges of the City and Trustee in connection therewith, and, in the case of a Series 2010 Bond destroyed or lost, his filing with the Trustee evidence satisfactory to it that such Series 2010 Bond was destroyed or lost, and of his ownership thereof, and furnishing the City and Trustee with indemnity satisfactory to them. The Trustee is hereby authorized to authenticate any such new Series 2010 Bond. In the event any such Series 2010 Bond shall have matured, instead of issuing a new Series 2010 Bond, the City may pay the same without the surrender thereof. Upon the issuance of a new Series 2010 Bond under this Section the City may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

The City shall cause books to be maintained for the registration and for the transfer of the Series 2010 Bonds as provided herein and in the Series 2010 Bonds. The Trustee shall act as the bond registrar. Each Series 2010 Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Series 2010 Bond or Series 2010 Bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

Series 2010 Bonds may be exchanged at the principal corporate trust office of the Trustee for an equal aggregate principal amount of Series 2010 Bonds of any other authorized denomination or denominations. The City shall execute and the Trustee shall authenticate and deliver Series 2010 Bonds which the registered owner making the exchange is entitled to receive. The execution by the City of any Series 2010 Bond of any denomination shall constitute full and due authorization of such denomination and the Trustee shall be thereby authorized to authenticate and deliver such Series 2010 Bond.

No charge shall be made to any owner of any bond for the privilege of transfer or exchange, but any owner of any bond requesting any such transfer or exchange shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. Neither the Trustee nor the City shall be required to transfer or exchange any bonds selected for redemption in whole or in part.

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

In any case where the date of maturity of interest on or principal of the bonds or the date fixed for redemption of any bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then

payment of interest or principal need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Section 5. The bonds shall be executed on behalf of the City by the manual or facsimile signatures of the Mayor and City Recorder and shall have impressed or imprinted thereon the seal of the City.

Section 6. The Series 2010 Bonds and the Certificate shall be in substantially the following form and the Mayor and City Recorder are hereby expressly authorized and directed to make all recitals contained therein:

(Form of Bond)

REGISTERED

REGISTERED

No. \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF ARKANSAS  
COUNTY OF VAN BUREN  
CITY OF CLINTON  
SALES AND USE TAX REFUNDING BOND  
SERIES 2010

Interest Rate: \_\_\_\_\_%

Maturity Date: March 1, \_\_\_\_\_

Dated Date: November 1, 2010

Registered Owner: Cede & Co.

Principal Amount: \_\_\_\_\_ Dollars

CUSIP No.: \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS:

That the City of Clinton, County of Van Buren, State of Arkansas (the "City"), for value received, hereby promises to pay to the Registered Owner shown above upon the presentation and surrender hereof at the principal corporate trust office of Simmons First Trust Company, N.A., Pine Bluff, Arkansas, or its successor or successors, as Trustee and Paying Agent (the "Trustee"), on the Maturity Date shown above, the Principal Amount shown above, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and to pay by check or draft to the Registered Owner shown above interest thereon, in like coin or currency from the interest commencement date described below at the Interest Rate per annum shown above, payable on March 1, 2011 and on each March 1 and September 1 thereafter, until payment 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 legally enforceable) at the rate

borne by this bond. Payment of each installment of interest shall be made to the person in whose name this bond is registered on the registration books of the City maintained by the Trustee at the close of business on the fifteenth day of the month (whether or not a business day) next preceding each interest payment date (the "Record Date"), irrespective of any transfer or exchange of this bond subsequent to such Record Date and prior to such interest payment date.

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

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

This bond is one of an issue of City of Clinton, Arkansas Sales and Use Tax Refunding Bonds, Series 2010, aggregating Three Million Ten Thousand Dollars (\$3,010,000) in aggregate principal amount (the "bonds"), and is issued for the purpose of refunding the City's Sales and Use Tax Refunding Bonds, Series 2001 and Series 2004, paying necessary expenses incidental thereto, paying expenses of authorizing and issuing the bonds and funding a debt service reserve.

The bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Arkansas (the "State"), particularly Amendment No. 62 to the Constitution of the State and Title 14, Chapter 164, Subchapter 3 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), and pursuant to Ordinance No. \_\_\_\_\_ of the City duly adopted on October 14, 2010 (the "Authorizing Ordinance"), and an election duly held at which the majority of the legal voters of the City voting on the question approved the issuance of the indebtedness represented by the bonds. Reference is hereby made to the Authorizing Ordinance for the details of the nature and extent of the security and of the rights and obligations of the City, the Trustee and the registered owners of the bonds. The bonds are special obligations of the City, payable from collections of the 1% sales and use tax levied by the City under Title 26, Chapter 75, Subchapter 2 of the Arkansas Code of 1987 Annotated and Ordinance No. 96-235 of the City duly adopted on August 8, 1996 (the "Tax"), and the City hereby pledges its collections of the Tax for the payment of this bond. The City has reserved the right in the Authorizing Ordinance to issue additional bonds under the Authorizing Ordinance on a parity of security with the bonds.

The bonds are subject to redemption at the option of the City, from funds from any source, to be selected by lot in such manner as the Trustee may determine on and after March 1, 2016, in whole at any time or in part on any interest payment date, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

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

Notice of redemption identifying the bonds or portions thereof (which shall be \$5,000 or a multiple thereof) to be redeemed and the date they shall be presented for payment shall be given by the Trustee, not less than 30 nor more than 60 days prior to the date fixed for redemption, by mailing a copy of the redemption notice by first class mail, postage prepaid, or by sending via other standard means, including facsimile or electronic communication, to all registered owners of bonds to be redeemed. Failure to mail or send an appropriate notice or any such notice to one or more registered owners of bonds to be redeemed shall not affect the validity of the proceedings for redemption of other bonds as to which notice of redemption is duly given in proper and timely fashion. All such bonds or portions thereof thus called for redemption and for the retirement of which funds are duly provided in accordance with the Authorizing Ordinance prior to the date fixed for redemption will cease to bear interest on such redemption date.

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

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed, under the Constitution and laws of the State, particularly Amendment No. 62 to the Constitution of the State and the Authorizing Legislation, 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 and the issue of which it forms a part does not exceed any constitutional or statutory limitation; and that tax revenues sufficient to pay the bonds and interest thereon have been duly pledged in accordance with the Authorizing Legislation for the payment of the bonds and interest thereon.

This bond shall not be valid until it shall have been authenticated by the Certificate hereon duly signed by the Trustee.

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

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

CITY OF CLINTON, ARKANSAS

ATTEST:

By \_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Recorder

(SEAL)

(Form of Trustee's Certificate)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds issued under the provisions of the within mentioned Authorizing Ordinance.

Date of Authentication: \_\_\_\_\_

SIMMONS FIRST TRUST COMPANY,  
N.A.  
Pine Bluff, Arkansas  
TRUSTEE

By \_\_\_\_\_  
Authorized Signature

(Form of Assignment)

ASSIGNMENT

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

DATE: \_\_\_\_\_

\_\_\_\_\_  
Transferor

GUARANTEED BY: \_\_\_\_\_

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

Section 7. The City hereby expressly pledges and appropriates all collections of the 1% sales and use tax levied by the City pursuant to Title 26, Chapter 75, Subchapter 2 of the Arkansas Code of 1987 Annotated and Ordinance No. 96-235, passed August 8, 1996 and approved at a special election held September 24, 1996 (the “Tax”), to the payment of the principal of and interest on the bonds when due at maturity or at redemption prior to maturity and to the payment of the fees and charges of the Trustee and any arbitrage rebate due the United States under Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”). The City covenants that the Tax shall never be repealed or reduced while any of the bonds are outstanding. The City further covenants to use due diligence in collecting the Tax.

Section 8. (a) The City hereby designates Simmons First Trust Company, N.A., Pine Bluff, Arkansas as the bank which shall receive all collections of the Tax (the “Pledged Revenues”) from the State Treasurer and the City covenants to file a written designation thereof with the State Treasurer prior to the issuance of the Series 2010 Bonds. The Trustee shall deposit the Pledged Revenues as and when received into a special fund of the City in the Trustee which is hereby created designated “Sales and Use Tax Revenue Fund” (the “Revenue Fund”).

(b) There is hereby created in the Revenue Fund the following accounts: Bond Account and Surplus Revenues Account. From monthly deposits made into the Revenue Fund, there shall be made the following deposits in the following order of priority: first, an amount sufficient to make the monthly deposit into the Bond Fund (hereinafter identified) shall be deposited into the Bond Account; and second, any balance shall be deposited into the Surplus Revenues Account.

If collections of the Tax in any month are insufficient to make the required payments into the Bond Account, the Trustee shall add the amount of the deficiency to the amount to be deposited into the Bond Account the next month and each month thereafter until the deficiency is cured and the balance shall be deposited into the Surplus Revenues Account.

(c) Moneys in the Bond Account shall be applied each month in the following order of priority:

(1) the Trustee's fees and expenses next due - Expense Account in the Bond Fund; and

(2) 1/6 of the interest on the Series 2010 Bonds next due - Debt Service Account in the Bond Fund; and

(3) 1/12 of the principal of the Series 2010 Bonds next due - Debt Service Account in the Bond Fund; and

(4) the amount which may be necessary to increase the Debt Service Reserve Account to the required level - Debt Service Reserve Account in the Bond Fund; and

(5) balance - Surplus Revenues Account in the Revenue Fund.

The deposits made into the Debt Service Account in the Bond Fund shall be (a) decreased in order to take into account as a credit (1) interest earnings on moneys in the Debt Service Account that cause the required level to be exceeded, (2) accrued interest deposited therein from bond proceeds, (3) transfers from the Debt Service Reserve Account that cause the required amount at the time to be exceeded and (4) transfers from the Series 2010 Bond Fund (hereinafter identified) and (b) increased as necessary so that there are sufficient funds to make the first principal and interest payment on the Series 2010 Bonds and to pay any arbitrage rebate due the United States Treasury under Section 148 of the Code.

Moneys in the Surplus Revenues Account in the Revenue Fund shall be paid to the City and used for any lawful purpose. Such payments shall be made to the City within five (5) days after moneys are deposited into the Surplus Revenues Account.

Section 9. (a) There is hereby created a special fund of the City in the Trustee which is designated "Sales and Use Tax Bond Fund" (the "Bond Fund"), for the purpose of providing funds for the payment of principal of and interest on the bonds as they become due at maturity or at redemption prior to maturity, the Trustee's fees and expenses and any arbitrage rebate due the United States Treasury under Section 148 of the Code. There shall be established in the Bond Fund the following accounts into which moneys from the Bond Account in the Revenue Fund shall be deposited monthly: (i) Debt Service Account; (ii) Redemption Account; (iii) Debt Service Reserve Account; and (iv) Expense Account. Moneys in the Bond Fund shall be used on each interest payment date in the following order of priority as and when necessary:

- (1) to pay the Trustee's fees and expenses then due - Expense Account; and
- (2) to pay the interest on the bonds then due - Debt Service Account; and
- (3) to pay the principal of the bonds then due - Debt Service Account; and
- (4) to redeem bonds prior to maturity - Redemption Account.

The Bond Fund (excluding those moneys in the Debt Service Reserve Account) shall, except as provided in this Section, be depleted once a year except for a carryover amount not to exceed the greater of (i) one year's earnings on the Bond Fund or (ii) 1/12 of the annual debt service on the bonds. Any moneys in the Bond Fund shall, except as provided in this Section, be spent for one of the above purposes within a thirteen-month period beginning on the date of deposit, and any amount received from investment of money held in the Bond Fund will be spent within a one-year period beginning on the date of receipt.

(b) There shall be established and maintained in the Bond Fund a Debt Service Reserve Account in an amount equal to one-half of the maximum annual debt service requirements on the bonds (the "required level"). Should the Debt Service Reserve Account be reduced below the required level, the deficiency shall be cured by depositing sufficient moneys therein from the Bond Account in the Revenue Fund until the reduction is corrected. Moneys in the Debt Service Reserve Account over and above the required level shall be immediately transferred from the Debt Service Reserve Account into the Debt Service Account in the Bond Fund or, at the option of the City, shall be set aside with the Trustee for payment of any arbitrage rebate due the United States under Section 148 of the Code.

(c) If for any reason there shall be a deficiency in the payments made into the Bond Fund so that there are unavailable sufficient moneys in the Debt Service Account to pay the principal of and interest on the bonds as the same become due, any sums then held in the Debt Service Reserve Account shall be used to the extent necessary to pay such principal and interest, but the Debt Service Reserve Account shall be reimbursed in the amount of any such payment as described above.

(d) When the moneys in the Bond Fund shall be and remain sufficient to pay (1) the principal of all the bonds then outstanding, (2) interest on the bonds until the next interest payment date, (3) the Trustee's fees and expenses and (4) any arbitrage rebate due the United States Treasury under Section 148(f) of the Code, there shall be no obligation to make any further payments into the Bond Fund and any Pledged Revenues remaining in the Bond Fund after the principal of, premium, if any and interest on the bonds have been paid may be used by the City for any lawful purpose.

(e) All moneys in the Bond Fund shall be used solely for the purpose of paying the principal of and interest on the bonds, Trustee's fees and expenses, as the same become due, and any arbitrage rebate due the United States Treasury under Section 148 of the Code.

(f) The Trustee is authorized and directed to withdraw moneys from the Bond Fund from time to time as necessary for paying principal of and interest on the bonds when due at maturity or at redemption prior to maturity and for making other authorized Bond Fund expenditures.

(g) The Trustee shall use moneys in the Redemption Account to redeem bonds prior to maturity on the first available redemption date in accordance with Section 12 of this Ordinance.

(h) The Series 2010 Bonds shall be specifically secured by a pledge of the Pledged Revenues, which pledge in favor of the Series 2010 Bonds is hereby irrevocably made according to the terms of this Ordinance, and the City, and the officers and employees of the City, shall execute, perform and carry out the terms thereof in strict conformity with the provisions of this Ordinance.

(i) After the monthly payments into the Bond Fund required by this Ordinance have been made, any Pledged Revenues in the Surplus Revenues Account shall be released from the pledge of this Ordinance.

Section 10. Any bond shall be deemed to be paid within the meaning of this Ordinance when payment of the principal of and interest on such bond (whether at maturity or upon redemption as provided herein, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (1) cash sufficient to make such payment and/or (2) Government Securities as defined in Section 17 hereof which are direct obligations of the United States of America (provided that such deposit will not cause any of the bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code, maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. Any cash must be insured at all times by the Federal Deposit Insurance Corporation ("FDIC") or otherwise collateralized with Government Securities.

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

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