

AN ORDINANCE AUTHORIZING THE CONSTRUCTION OF EXTENSIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATER FACILITIES OF THE CITY OF CLINTON, ARKANSAS; AUTHORIZING THE ISSUANCE AND SALE OF WATER AND SEWER REVENUE BONDS; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS; AND PRESCRIBING OTHER MATTERS RELATING THERETO.

WHEREAS, the City of Clinton, Arkansas (the "City") owns and operates water and sewer facilities, which are operated as a single, integrated municipal undertaking (the "System") by the Clinton Water and Sewer Commission (the "Commission"); and

WHEREAS, the City Council and the Commission have determined that extensions, betterments and improvements to the water facilities of the System (the "Improvements") are necessary in order to make the services thereof adequate for the needs of the City and have caused to be prepared by a qualified consulting engineer, general plans for the Improvements, which plans have been examined and approved by the Commission and the City Council and a copy of which plans are on file in the office of the City Recorder where they may be inspected by any interested person; and

WHEREAS, the City does not have available funds to pay the costs of the Improvements, funding a reserve and issuing bonds but can obtain the necessary funds by the issuance of water and sewer revenue bonds in the aggregate principal amount of \$3,235,000 (the "bonds"); and

WHEREAS, the City has made arrangements for the sale of the bonds to Morgan Keegan & Company, Inc. (the "Purchaser"), at a price of 98.40% of par plus accrued interest (the "Purchase Price") pursuant to a Bond Purchase Agreement (the "Agreement") which has been presented to and is before this meeting; and

WHEREAS, the City has outstanding the following water and sewer revenue bonds: Water and Sewer Refunding and Improvement Revenue Bonds, Series 1964, dated March 1, 1964 (the "1964 Bonds") authorized by Ordinance No. 69, adopted on January 7, 1964; Water and Sewer Refunding Revenue Bonds, Series 1993 (the "1993 Bonds") authorized by Ordinance No. 89-183, adopted on March 23, 1989 (the "1989 Ordinance"), as supplemented by Ordinance No. 93-215, adopted on October 14, 1993 (collectively, the "1993 Bond Ordinance"); Water and Sewer Refunding Revenue Bonds, Series 1996 (the "1996 Bonds"), authorized by the 1993 Bond Ordinance and Ordinance No. 95-232, adopted on December 14, 1995 (collectively, the "1996 Bond Ordinance"); and Water and Sewer Revenue Bonds, Series 1997 (the "1997 Bonds"), authorized by the 1996 Ordinance and Ordinance No. 97-248, adopted April 22, 1997 (collectively, the "1997 Bond Ordinance"); and

WHEREAS, the Preliminary Official Statement, dated February 25, 1999, offering the 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 First National Bank of Lawrence County, Walnut Ridge, Arkansas, as Dissemination Agent (the "Disclosure Agreement"), providing for the ongoing disclosure obligations of the City with respect to the bonds, has been presented to and is before this meeting; and

WHEREAS, the coverage test for securing the bonds with a lien on revenues of the System on a parity with the lien on System revenues in favor of the 1993 Bonds, the 1996 Bonds and the 1997 Bonds has been met;

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

Section 1. That the improvements shall be accomplished. The improvements shall be accomplished under the control and supervision of, and all details in connection therewith shall be handled by, the Commission. The Commission shall make all contracts and agreements necessary or incidental to the performance of its duties and execution of its powers. The Commission shall let all contracts pursuant to and in accordance with existing laws and shall require such performance bonds and insurance as will, in the judgment of the Commission, fully insure completion of the improvements so as to fully promote and protect the best interests of the City and the owners of the bonds.

Section 2. The City Council hereby finds and declares that the period of usefulness of the System will be more than 20 years, which is longer than the term of the bonds.

Section 3. The offer of the Purchaser for the purchase of the bonds from the City at the Purchase Price be, and is hereby accepted, and the Agreement, in substantially the form submitted to this meeting, is approved and the bonds are hereby sold to the Purchaser. The Mayor is hereby authorized and directed to execute and deliver the Agreement on behalf of the City and to take all action required on the part of the City to fulfill its obligations under the Agreement.

The Preliminary Official Statement is hereby approved and the previous use of the Preliminary Official Statement by the Purchaser in connection with the sale of the bonds is hereby in all respects approved and confirmed, and the Mayor be, and he is hereby, authorized and directed, for and on behalf of the City, to execute the Preliminary Official Statement and the final Official

Statement in the name of the City for use in connection with the sale of the bonds as set forth in the Agreement.

Section 4. Under the authority of the Constitution and Laws of the State of Arkansas (the "State"), including particularly Title 14, Chapter 234, Subchapter 2, and Title 14, Chapter 235, Subchapter 2 of the Arkansas Code of 1987 Annotated and applicable decisions of the Supreme Court of the State, including particularly City of Harrison v. Braswell, 209 Ark. 1094, 194 S.W.2d 12 (1946), City of Clinton, Arkansas Water and Sewer Revenue Bonds, Series 1999 are hereby authorized and ordered issued in the principal amount of \$3,235,000 for the purpose of accomplishing the Improvements, funding a debt service reserve and paying expenses of issuing the bonds. The bonds shall mature on October 1 in the years and in the amounts and shall bear interest as follows:

<u>Year (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2000	\$40,000	3.25%
2001	40,000	3.50
2002	40,000	3.65
2003	45,000	3.80
2004	45,000	3.90
2005	45,000	3.95
2006	50,000	4.00
2007	50,000	4.10
2008	55,000	4.20
2009	60,000	4.25
2010	60,000	4.35
2011	65,000	4.45
2012	165,000	4.55
2013	170,000	4.60
2014	175,000	4.65
2015	185,000	4.70
2016	195,000	4.75
2017	205,000	4.80
2018*	365,000	5.00
2019*	380,000	5.00
2020*	400,000	5.00
2021	400,000	5.00

*Mandatory sinking fund redemption dates

The bonds shall be dated April 1, 1999 and shall be issuable only as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. Unless the City shall otherwise direct, the bonds shall be numbered from 1 upward in order of issuance. Each bond shall have a CUSIP number.

The 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 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 bonds, and receipt of notices and exercise of rights of registered owners. There shall be one certificated, typewritten bond for each stated maturity date which shall be immobilized in the custody of DTC with the beneficial owners having no right to receive the 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 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 bonds, and the participants and persons acting through participants are expected to maintain records of the purchasers of beneficial interests in the bonds. The 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 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 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 bonds from the securities depository, and authenticate and deliver 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 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 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 bonds so long as the 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 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 bonds; provided that neither the Trustee nor the City may assume any obligations to such securities depository or beneficial owners of bonds that are inconsistent with their obligations to any registered owner under this Ordinance.

Interest on the bonds shall be payable on October 1, 1999, and semiannually thereafter on April 1 and October 1 of each year. Payment of each installment of interest shall be made to the person in whose name the bond is registered on the registration books of the City maintained by First National Bank of Lawrence County, Walnut Ridge, Arkansas, as Trustee and Paying Agent (the "Trustee"), at the close of business on the fifteenth day of the month (whether or not a business day) next preceding each interest payment date (the "Record Date"), irrespective of any transfer or exchange of any such bond subsequent to such Record Date and prior to such interest payment date.

Each bond shall bear interest from the payment date next preceding the date on which it is authenticated unless it is authenticated on an interest payment date, in which event it shall bear interest from such date, or unless it is authenticated prior to the first interest payment date, in which event it shall bear interest from April 1, 1999, or unless it is authenticated during the period from the Record Date to the next interest payment date, in which case it shall bear interest from such interest payment date, or unless at the time of authentication thereof interest is in default thereon, in which event it shall bear interest from the date to which interest has been paid.

Only such bonds as shall have endorsed thereon a Certificate of Authentication substantially in the form set forth in Section 6 hereof (the "Certificate") duly executed by the Trustee shall be entitled to any right or benefit under this Ordinance. No bond shall be valid and obligatory for any purpose unless and until the Certificate shall have been duly executed by the Trustee, and the Certificate upon any such bond shall be conclusive evidence that such bond has been authenticated and delivered under this Ordinance. The Certificate on any bond shall be deemed to have been executed if signed by an authorized officer

of the Trustee, but it shall not be necessary that the same officer sign the Certificate on all of the bonds.

In case any bond shall become mutilated or be destroyed or lost, the City shall, if not then prohibited by law, cause to be executed and the Trustee may authenticate and deliver a new bond of like date, number, maturity and tenor in exchange and substitution for and upon cancellation of such mutilated bond, or in lieu of and in substitution for such bond destroyed or lost, upon the owner paying the reasonable expenses and charges of the City and Trustee in connection therewith, and, in the case of a bond destroyed or lost, his filing with the Trustee evidence satisfactory to it that such bond was destroyed or lost, and of his ownership thereof, and furnishing the City and Trustee with indemnity satisfactory to them. The Trustee is hereby authorized to authenticate any such new bond. In the event any such bond shall have matured, instead of issuing a new bond, the City may pay the same without the surrender thereof. Upon the issuance of a new bond under this Section, the City may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

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

No charge shall be made to any owner of any bond for the privilege of transfer or exchange, but any owner of any bond requesting any such transfer or exchange shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. The City shall not be required to transfer or exchange any bonds selected for redemption in whole or in part.

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

the liability upon such bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the bonds or the date fixed for redemption of any bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by Law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Section 5. The bonds shall be executed on behalf of the City by the manual or facsimile signatures of the Mayor and City Recorder and shall have impressed or imprinted thereon the seal of the City. The bonds, together with interest thereon, are secured by and are payable solely from revenues derived from the System ("Revenues") which are hereby pledged and mortgaged for the equal and ratable payment of the bonds. The pledge of Revenues in favor of the bonds shall be on a parity with the pledge in favor of the 1993 Bonds, the 1996 Bonds and the 1997 Bonds, but subordinate to the pledge in favor of the 1964 Bonds. The bonds and interest thereon shall not constitute an indebtedness of the City within any constitutional or statutory limitation.

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

REGISTERED

(Form of Bond)

REGISTERED

No. _____

UNITED STATES OF AMERICA
 STATE OF ARKANSAS
 COUNTY OF VAN BUREN
 CITY OF CLINTON
 WATER AND SEWER
 REVENUE BOND,
 SERIES 1999

Interest Rate: _____ % Maturity Date: October 1, _____

Dated Date: April 1, 1999

Registered Owner: _____

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, but solely from the source as hereinafter provided and not otherwise, to the Registered Owner shown above upon the presentation and surrender hereof at the principal corporate trust office of First National Bank of Lawrence County, Walnut Ridge, Arkansas, or its successor or successors, as Trustee and Paying Agent (the "Trustee"), on the Maturity Date shown above, the Principal Amount shown above, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and to pay by check or draft interest thereon, but solely from the source as hereinafter provided and not otherwise, in like coin or currency from the interest commencement date specified below at the Interest Rate per annum shown above, payable October 1, 1999 and semiannually thereafter on the first days of April and October of each year, until payment of such principal sum or, if this bond or a portion hereof shall be duly called for redemption, until the date fixed for redemption, and to pay interest on overdue principal and interest (to the extent legally enforceable) at the rate borne by this bond. Payment of each installment of interest shall be made to the person in whose name this bond is registered on the registration books of the City maintained by the Trustee at the close of business on the fifteenth day of the month (whether or not a business day) next preceding each interest payment date (the "Record Date"), irrespective of any transfer or exchange of this bond subsequent to such Record Date and prior to such interest payment date.

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

This bond is one of an issue of City of Clinton, Arkansas Water and Sewer Revenue Bonds, Series 1999, aggregating Three Million Two Hundred Thirty-Five Thousand Dollars (\$3,235,000) in principal amount (the "bonds"), and is issued for the purpose of financing of the costs of the acquisition, construction and equipping of extensions, betterments and improvements to the City's water facilities, paying necessary expenses incidental thereto and to the authorization and issuance of 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"), including particularly Title 14, Chapter 234, Subchapter 2, and Title 14, Chapter 235, Subchapter 2 of the Arkansas Code of 1987 Annotated and applicable decisions of the Supreme Court of Arkansas, including particularly City of Harrison v. Braswell, 209 Ark. 1094, 194 S.W.2d 12 (1946), and pursuant to Ordinance No. 89-183, duly adopted on March 23, 1989, as supplemented by Ordinance No. 93-215, duly adopted on October 14, 1993, Ordinance No. 95-232, duly adopted on December 14, 1995, Ordinance No. 97-248, duly adopted on April 22, 1997, and Ordinance No. 99- , duly adopted on March , 1999 (collectively, the "Authorizing Ordinance"), and do not constitute an indebtedness of the City within any constitutional or statutory limitation. The bonds are not general obligations of the City, but are special obligations payable solely from the revenues derived from the operation of the City's water and sewer (combined) system (the "System"). The pledge of System revenues to the payment of the bonds is on a parity with the pledge in favor of the City's Water and Sewer Refunding Revenue Bonds, Series 1993, Water and Sewer Refunding Revenue Bonds, Series 1996, and Water and Sewer Revenue Bonds, Series 1997 (collectively, the "Parity Bonds"), but is subordinate to the pledge in favor of the City's Water and Sewer System Refunding and Improvement Revenue Bonds, Series 1964. An amount of System revenues sufficient to pay the principal of and interest on the bonds and the Parity Bonds has been duly pledged and set aside into the 1971 Water and Sewer Revenue Bond Fund identified in the Authorizing Ordinance. Reference is hereby made to the Authorizing Ordinance for a detailed statement of the terms and conditions upon

which the bonds are issued, of the nature and extent of the security for the bonds, and the rights and obligations of the City, the Trustee and the registered owners of the bonds. The City has fixed and has covenanted and agreed to maintain rates for the services of the System which shall be sufficient at all times to provide for the proper and reasonable expenses of operation and maintenance of the System and for the payment of the principal of and interest on the bonds, including Trustee's fees, as the same become due and payable, to establish and maintain a debt service reserve and to make the required deposit for the depreciation of the System.

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

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

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

CITY OF CLINTON, ARKANSAS

ATTEST:

By (Facsimile signature)
Mayor

(Facsimile signature)
City Recorder

(SEAL)

(Reverse Side of Bond)

CITY OF CLINTON, ARKANSAS
WATER AND SEWER
REVENUE BOND, SERIES 1999

The bonds shall be subject to extraordinary, optional and mandatory sinking fund redemption as follows:

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

2. The bonds are also subject to redemption at the option of the City on and after October 1, 2004, from funds from any source, in inverse order of maturity (bonds within a maturity to be selected by lot in such manner as the Trustee may determine) 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.

3. To the extent not previously redeemed, the bonds maturing on October 1, 2021 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on October 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Bonds Maturing October 1, 2021

<u>Years</u> <u>(October 1)</u>	<u>Principal</u> <u>Amounts</u>	<u>Years</u> <u>(October 1)</u>	<u>Principal</u> <u>Amounts</u>
2018	\$365,000	2020	\$400,000
2019	380,000	2021 (maturity)	400,000

The provisions for mandatory sinking fund redemption of the bonds are subject to the provisions of the Authorizing Ordinance which permit the City to receive credit for bonds previously redeemed or for bonds acquired by the City and surrendered to the Trustee.

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

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

This bond is transferable by the registered owner hereof in person or by his attorney-in-fact duly authorized in writing at the principal corporate trust office of the Trustee, but only in

the manner, subject to the limitations and upon payment of the charges provided in the Authorizing Ordinance, and upon surrender and cancellation of this bond. Upon such transfer a new fully registered bond or bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange therefor. This bond is issued with the intent that the laws of the State shall govern its construction.

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of the bonds do exist, have happened and have been performed in due time, form and manner as required by law; that the indebtedness represented by the bonds, together with all obligations of the City, does not exceed any constitutional or statutory limitation; and that the above referred to revenues pledged to the payment of the principal of and premium, if any, and interest on the bonds as the same become due and payable will be sufficient in amount for that purpose.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Authorizing Ordinance until the Certificate of Authentication hereon shall have been signed by the Trustee.

(Form of Trustee's Certificate)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

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

Date of Authentication: _____

FIRST NATIONAL BANK OF
LAWRENCE COUNTY
Walnut Ridge, 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. Since the bonds are being issued on a parity of security with the 1993 Bonds, the 1996 Bonds and the 1997 Bonds, the bonds are to have the benefit of and are to be governed by the 1997 Bond Ordinance and all of the provisions of the 1997 Bond Ordinance (including those incorporated therein by reference), except those provisions clearly inconsistent herewith or inapplicable hereto, including, without limitation, the provisions pertaining to the establishment and charging of rates for services of the System, vacancies in office, the collection, depositing, securing, disbursing, investing and handling of Revenues and funds, the parity bond requirements and the operation, maintenance, insurance and care of the System, are hereby made applicable hereto and are incorporated herein by reference as though fully set forth at this point. The effect of the above covenant shall be to continue the applicable provisions in full force and effect even

after the payment of the 1993 Bonds, the 1996 Bonds and the 1997 Bonds and until the bonds are paid, or provision made therefor. In this regard, the following funds incorporated into the 1997 Bond Ordinance are hereby confirmed and continued: Water and Sewer System Revenue Fund (the "Revenue Fund"); Water and Sewer System Operation and Maintenance Fund (the "Operation and Maintenance Fund"); Water and Sewer System Revenue Bond Fund (the "Senior Bond Fund"); 1971 Water and Sewer Bond Fund (the "Bond Fund"); and Water and Sewer System Depreciation Fund.

Section 8. (a) After making payments into the Operation and Maintenance Fund and the Senior Bond Fund, there shall be paid from the Revenue Fund into the Bond Fund the sums in the amounts and at the times described below for the purpose of providing funds for the payment of the principal of and interest on the 1993 Bonds, the 1996 Bonds, the 1997 Bonds and the bonds, as they mature, with trustee's fees for each issue, and as a debt service reserve.

(b) There shall be paid into the Bond Fund on the first business day of each month, until all outstanding bonds, with interest thereon, have been paid in full or provision made for such payment, a sum equal to (i) 1/5 of the next installment of interest on the 1993 Bonds, the 1996 Bonds, the 1997 Bonds and the bonds plus (ii) 1/10 of the next installment of principal of the bonds, the 1993 Bonds, the 1996 Bonds and the 1997 Bonds. Once the debt service reserve in the Bond Fund (the "Debt Service Reserve") shall reach an amount equal to the average annual debt service requirement on the 1993 Bonds, the 1996 Bonds, the 1997 Bonds and the bonds, the monthly payments into the Bond Fund may be reduced to (i) 1/6 of the next installment of principal of the bonds, the 1993 Bonds, the 1996 Bonds and the 1997 Bonds plus (ii) 1/12 of the next installment of interest on the 1993 Bonds, the 1996 Bonds, the 1997 Bonds and the bonds, but thereafter, if the Debt Service Reserve becomes impaired, increased payments of 1/5 and 1/10 shall be resumed until the impairment is cured. As each series of parity bonds is retired, the Debt Service Reserve shall be reduced to the lesser of 10% of the original principal amount of the remaining outstanding parity bonds or the remaining average annual principal and interest requirement on such parity bonds. Notwithstanding the above, the payments into the Bond Fund relating to the payment of principal of the bonds and need not commence until October, 1999, and the payments into the Bond Fund relating to the payment of interest on the bonds due October 1, 1999 shall be increased to 1/5 of the interest due on that date irrespective of whether the Debt Service Reserve is at the required level.

The City shall maintain records reflecting the Bond Fund and Debt Service Reserve as constituted of the subaccounts, identified, respectively, as the "1999 Subaccount," the "1997 Subaccount," the "1996 Subaccount" and the "1993 Subaccount." The 1993 Subaccount shall hold all debt service payments for the 1993