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ORDINANCE NO. 0-01- III

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$12,000,000 OF WATER REVENUE IMPROVEMENT BONDS, SERIES 2001, BY THE CITY OF CONWAY, ARKANSAS FOR THE PURPOSE OF FINANCING THE COST OF CERTAIN CAPITAL IMPROVEMENTS TO THE CITY'S WATER SYSTEM; AUTHORIZING THE EXECUTION AND DELIVERY OF A THIRD SUPPLEMENTAL TRUST INDENTURE PURSUANT TO WHICH THE BONDS WILL BE ISSUED AND SECURED; AUTHORIZING THE EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT PURSUANT TO WHICH THE BONDS WILL BE OFFERED; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT PROVIDING FOR THE SALE OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE AGREEMENT; PRESCRIBING OTHER MATTERS RELATING THERETO; AND DECLARING AN EMERGENCY.

WHEREAS, the City of Conway, Arkansas (the "City"), a city of the first class, presently owns a water storage, treatment and distribution system (the "System") serving the residents of the City, which System is operated and maintained by the Conway Corporation, a nonprofit corporation organized and existing under the laws of the State of Arkansas (the "Corporation"), pursuant to an exclusive franchise to operate the System granted to the Corporation by the City; and

WHEREAS, the City has outstanding an issue of Water Improvement Revenue Bonds, Series 1977, issued in the original principal amount of \$381,000, of which \$246,000 in principal amount currently remains outstanding (the "Series 1977 Bonds"), issued under the provisions of Ordinance No. 0-77-35 of the City, adopted and approved on December 14, 1977; and

WHEREAS, the City has outstanding an issue of Water Revenue Refunding Bonds, Series 1993, issued in the original principal amount of \$6,040,000, of which \$4,130,000 in principal amount currently remains outstanding (the "Series 1993 Bonds"), issued under the provisions of Ordinance No. 0-93-46 of the City, adopted and approved on August 20, 1993; and

WHEREAS, the City has outstanding an issue of Water Revenue Improvement Bonds, Series 1995, issued in the original principal amount of \$5,000,000, of which \$4,140,000 in principal amount currently remains outstanding (the "Series 1995 Bonds"), issued under the provisions of Ordinance No. 0-95-83 of the City, adopted and approved on November 21, 1995.; and

WHEREAS, the City has outstanding an issue of Water Revenue Improvement Bonds, Series 2000A, issued in the original principal amount of \$2,655,000, of which \$2,495,000 in principal amount currently remains outstanding (the "Series 2000A Bonds"), issued under the provisions of Ordinance No. 0-99-119 of the City, adopted and approved on December 14, 1999; and

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WHEREAS, the City is authorized under the provisions of the Constitution of the State of Arkansas and Arkansas Code Annotated Sections 14-164-401 *et seq.* (Repl. 1998) (the "Act") to issue and sell revenue bonds for the purpose of financing the cost of improvements to the System; and

WHEREAS, in order to secure funds necessary to finance the acquisition, construction and equipping of various betterments and improvements with respect to the System, including, but not limited to, the construction of a new water treatment plant, the rehabilitation of the existing water treatment plant, modification of the Cadron Creek water intake, and the purchase of buffer property around the City's water supply sources (the "Project"), to fund a debt service reserve, and to pay printing, legal, underwriting and other expenses incidental to the issuance of water revenue bonds for such purposes, the City has determined to issue its Water Revenue Improvement Bonds, Series 2001, in an aggregate principal amount of not to exceed \$12,000,000 (the "Series 2001 Bonds"); and

WHEREAS, the City has determined to issue the Series 2001 Bonds on a parity of security with its outstanding Series 1977 Bonds, Series 1993 Bonds, Series 1995 Bonds and Series 2000A Bonds pursuant to a Trust Indenture dated as of September 1, 1993, as supplemented by a First Supplemental Trust Indenture dated as of December 1, 1995, as supplemented by a Second Supplemental Trust Indenture dated as of February 1, 2000, and as further supplemented by a Third Supplemental Trust Indenture dated as of December 1, 2001 (collectively, the "Trust Indenture"), by and among the City, the Corporation and BNY Trust Company of Missouri (as successor to Boatmen's Trust Company of Arkansas, which succeeded Worthen Trust Company, Inc.), as trustee (the "Trustee"), a form of which has been presented to and is before this meeting; and

WHEREAS, the City proposes to enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") in substantially the form presented to and before this meeting, with Morgan Keegan & Company, Inc., Crews & Associates, Inc., and Stephens Inc., Little Rock, Arkansas (the "Underwriters"), providing for the sale of the Series 2001 Bonds; and

WHEREAS, an open public hearing on the question of the issuance of the Series 2001 Bonds has been held before the City Council and Mayor of the City on this date, following publication of notice of such public hearing in the *Log Cabin Democrat* on November 16, 2001.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CONWAY, ARKANSAS THAT:

Section 1. The City Council hereby finds and declares that the acquisition, construction and equipping of the Project is in the best interest of the City and the customers of the System.

Section 2. Under the authority of the Constitution and laws of the State of Arkansas, including particularly Amendment 65 to the Constitution of Arkansas and the Act, there is hereby authorized the issuance of bonds of the City to be designated as "Water Revenue Improvement Bonds, Series 2001" (the "Series 2001 Bonds"). The Series 2001 Bonds shall be issued in the original aggregate principal amount of not to exceed Twelve Million Dollars

(\$12,000,000), shall mature not later than December 1, 2023, and shall bear interest at the rates specified in the Bond Purchase Agreement. In no event shall the interest rate borne by any Series 2001 Bond exceed 5.50% per annum and in no event shall the average interest rate on the Series 2001 Bonds exceed 5.25%. The Series 2001 Bonds shall be issued in the forms and denominations, shall be dated, shall be numbered, shall mature, shall be subject to redemption prior to maturity and may contain such other terms, covenants and conditions, all as set forth in the Trust Indenture.

Section 3. To prescribe the terms and conditions upon which the Series 2001 Bonds are to be executed, authenticated, issued, accepted, held and secured, the Mayor is hereby authorized and directed to execute and acknowledge a Third Supplemental Trust Indenture (the "Third Supplemental Trust Indenture"), by and among the City, the Corporation and BNY Trust Company of Missouri (as successor to Boatmen's Trust Company of Arkansas, which was the successor to Worthen Trust Company, Inc.), as trustee (the "Trustee"), and the City Clerk is hereby authorized and directed to execute and acknowledge the Third Supplemental Trust Indenture and to affix the seal of the City thereto, and the Mayor and the City Clerk are hereby authorized and directed to cause the Third Supplemental Trust Indenture to be accepted, executed and acknowledged by the Corporation and the Trustee. The Third Supplemental Trust Indenture is hereby approved in substantially the form submitted to this meeting, including, without limitation, the provisions thereof pertaining to the pledge of System revenues to the Series 2001 Bonds and the terms of the Series 2001 Bonds. The Mayor is hereby authorized to confer with the Corporation, the Trustee and the Underwriters in order to complete the Third Supplemental Trust Indenture in substantially the form submitted to this meeting with such changes as shall be approved by such persons executing the Third Supplemental Trust Indenture, their execution to constitute conclusive evidence of such approval.

(Advice is given that a copy of the Third Supplemental Trust Indenture in substantially the form authorized to be executed is on file with the City Clerk and is available for inspection by any interested person.)

Section 4. There is hereby authorized and approved a Preliminary Official Statement of the City, including the cover page and appendices attached thereto, relating to the Series 2001 Bonds. The Preliminary Official Statement is hereby "deemed final" within the meaning of U.S. Securities and Exchange Commission Rule 15c2-12. The distribution of the Preliminary Official Statement is hereby approved. The Preliminary Official Statement, as amended to conform to the terms of the Bond Purchase Agreement, including Exhibit A thereto, and with such other changes and amendments as are mutually agreed to by the City, the Corporation and the Underwriters, is herein referred to as the "Official Statement," and the Mayor is hereby authorized to execute the Official Statement for and on behalf of the City. The Official Statement is hereby approved in substantially the form of the Preliminary Official Statement submitted to this meeting, and the Mayor is hereby authorized to confer with the Corporation, the Trustee and the Underwriters in order to complete the Official Statement in substantially the form of the Preliminary Official Statement submitted to this meeting with such changes as shall be approved by such persons, the Mayor's execution to constitute conclusive evidence of such approval.

(Advice is given that a copy of the Preliminary Official Statement is on file with the City Clerk and is available for inspection by any interested person.)

Section 5. In order to prescribe the terms and conditions upon which the Series 2001 Bonds are to be sold to the Underwriters, the Mayor is hereby authorized and directed to execute, at the request of the Corporation, a Bond Purchase Agreement on behalf of the City, to be dated as of the date of its execution (the "Bond Purchase Agreement"), by and among the City, the Corporation and the Underwriters, and the Bond Purchase Agreement is hereby approved in substantially the form submitted to this meeting, and the Mayor is hereby authorized to confer with the Corporation and the Underwriters in order to complete the Bond Purchase Agreement in substantially the form submitted to this meeting with such changes as shall be approved by such persons executing the Bond Purchase Agreement, their execution to constitute conclusive evidence of such approval.

(Advice is given that a copy of the Bond Purchase Agreement in substantially the form authorized to be executed is on file with the City Clerk and is available for inspection by any interested person.)

Section 6. In order to provide for continuing disclosure of certain financial and operating information with respect to the City and the System in compliance with the provisions of Rule 15c2-12 of the U. S. Securities and Exchange Commission, the Mayor is hereby authorized and directed to execute a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), by and among the City, the Corporation and the Trustee, and the Mayor is hereby authorized and directed to cause the Continuing Disclosure Agreement to be executed by the Corporation and the Trustee. The Continuing Disclosure Agreement is hereby approved in substantially the form submitted to this meeting, and the Mayor is hereby authorized to confer with the Corporation, the Trustee and the Underwriters in order to complete the Continuing Disclosure Agreement in substantially the form submitted to this meeting with such changes as shall be approved by such persons executing the Continuing Disclosure Agreement, their execution to constitute conclusive evidence of such approval.

(Advice is given that a copy of the Continuing Disclosure Agreement in substantially the form authorized to be executed is on file with the City Clerk and is available for inspection by any interested person.)

Section 7. The Mayor and City Clerk, for and on behalf of the City, are hereby authorized and directed to do any and all things necessary to effect the issuance, sale, execution and delivery of the Series 2001 Bonds and to effect the execution and delivery of the Third Supplemental Trust Indenture, the Continuing Disclosure Agreement, the Bond Purchase Agreement, the Official Statement and a Tax Regulatory Agreement relating to the tax exemption of interest on the Series 2001 Bonds, and to perform all of the obligations of the City under and pursuant thereto. The Mayor and the City Clerk are further authorized and directed, for and on behalf of the City, to execute all papers, documents, certificates and other instruments that may be required for the carrying out of such authority or to evidence the exercise thereof.

Section 8. Kutak Rock LLP, Little Rock, Arkansas, is hereby appointed to act as Bond Counsel on behalf of the City in connection with the issuance and sale of the Series 2001 Bonds.

Section 9. The provisions of this Ordinance are hereby declared to be severable, and if any section, phrase or provision shall for any reason be declared to be illegal or invalid, such declaration shall not affect the validity of the remainder of the sections, phrases or provisions of this Ordinance.

Section 10. All ordinances, resolutions and parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

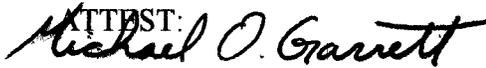
Section 11. It is hereby found and determined that there is an urgent need to finance certain improvements and betterments to the System in order to alleviate hardships to the residents of the City, and in order to do so on the most favorable terms, it is necessary to enter into the Bond Purchase Agreement as soon as possible. Therefore, an emergency is hereby declared to exist and this Ordinance, being necessary for the immediate preservation of the public health, safety and welfare, shall be in force and take effect immediately upon and after its passage.

ADOPTED AND APPROVED THIS 27th DAY OF NOVEMBER, 2001.

APPROVED:



Tab Townsell, Mayor

ATTEST:


Michael O. Garrett, City Clerk

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