

AN ORDINANCE AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION REFUNDING BONDS OF THE CITY OF LEXINGTON, NEBRASKA, IN THE PRINCIPAL AMOUNT OF ONE MILLION FIVE HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$1,525,000) FOR THE PURPOSE OF PAYING AND REDEEMING \$1,535,000 OF THE CITY'S OUTSTANDING VARIOUS PURPOSE BONDS, DATE OF ORIGINAL ISSUE - MAY 15, 1997; DIRECTING THE APPLICATION OF THE PROCEEDS OF SAID BONDS; PRESCRIBING THE FORM OF SAID BONDS; PROVIDING FOR THE LEVY AND COLLECTION OF TAXES TO PAY THE SAME; PROVIDING FOR THE SALE OF THE BONDS; AUTHORIZING THE DELIVERY OF THE BONDS TO THE PURCHASER; AND ORDERING THE ORDINANCE PUBLISHED IN PAMPHLET FORM.

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF LEXINGTON,

NEBRASKA:

Section 1. The Mayor and Council of the City of Lexington, Nebraska, hereby find and determine:

(a) There have been heretofore issued and are now outstanding and unpaid valid and interest bearing bonds of the City of Lexington, Nebraska, as follows:

Various Purpose Bonds, Series 1997, of the City of Lexington, Nebraska, date of original issue - May 15, 1997, in the principal amount of One Million Five Hundred Thirty-five Thousand Dollars (\$1,535,000), numbered as shown on the books of the Paying Agent and Registrar, in denomination of \$5,000 each, becoming due and bearing interest as follows:

<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
\$ 225,000	May 15, 2003	5.10%
235,000	May 15, 2004	5.15
250,000	May 15, 2005	5.20
260,000	May 15, 2006	5.30
275,000	May 15, 2007	5.40
290,000	May 15, 2008	5.50

Said bonds are hereinafter referred to as the "1997 Refunded Bonds."

Said bonds are subject to redemption at any time on or after May 15, 2002, at par and accrued interest, and said interest is payable semiannually. Said bonds were authorized by ordinance and were issued for the purpose of paying the costs of street improvements in Street Improvement District Nos. 94-03 and 9602; paying the cost of storm water sewer improvements in Storm Sewer District Nos. 94-04 and 9601;

and paying and redeeming \$665,000 of the City's outstanding Various Purpose Bonds, Date of Original Issue - August 1, 1991.

(b) The 1997 Refunded Bonds (sometimes hereinafter referred to as the "Refunded Bonds") are valid, interest bearing obligations of the City of Lexington, Nebraska. The Refunded Bonds have been called for redemption on August 1, 2002. Since the Refunded Bonds were issued, the rate of interest has so declined in the markets that by taking up and paying off said bonds on said call date, a substantial savings in the amount of yearly running interest will be made to the City; that for the purpose of making said redemption, it is for the best interest of the City to issue refunding bonds of the City in the principal amount of \$1,525,000; that all conditions, acts and things required to exist or to be done precedent to the issuance of refunding bonds of the City of Lexington, Nebraska, in the principal amount of One Million Five Hundred Twenty-five Thousand Dollars (\$1,525,000), pursuant to Section 10-142 R.R.S. Neb. 1997, do exist and have been done as required by law.

Section 2. To provide for the refunding as specified in Section 1 hereof, there shall be and there are hereby ordered issued General Obligation Refunding Bonds of the City of Lexington, Nebraska, in the principal amount of One Million Five Hundred Twenty-five Thousand Dollars (\$1,525,000) (the "Refunding Bonds") with said bonds bearing interest at the rates per annum (said interest to be computed on the basis of a 360-day year consisting of twelve 30-day months) and maturing on May 15 and November 15 of each year in the principal amounts as follows:

<u>Principal Amount</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>
\$105,000	November 15, 2002	1.65%
120,000	May 15, 2003	2.00
120,000	November 15, 2003	2.00
125,000	May 15, 2004	2.40
125,000	November 15, 2004	2.40
125,000	May 15, 2005	2.90
125,000	November 15, 2005	2.90
130,000	May 15, 2006	3.20
130,000	November 15, 2006	3.20
140,000	May 15, 2007	3.50
140,000	November 15, 2007	3.50
140,000	May 15, 2008	3.80

The Refunding Bonds shall be issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof. The date of original issue for the Refunding Bonds shall be the date of delivery thereof. Interest on the Refunding Bonds, at the respective rates for each maturity, shall be payable on November 15, 2002, and semiannually thereafter on May 15 and November 15 of each year (each of said dates an "Interest Payment Date") and the Refunding Bonds shall bear such interest from the date of original issue or the most recent Interest Payment Date, whichever is later. The interest due on each Interest Payment Date shall be payable to the registered owners of record as of the close of business on the last business day of the month immediately preceding the month in which the Interest Payment Date occurs (the "Record Date"), subject to the provisions of Section 4 hereof. The Refunding Bonds shall be numbered from 1 upwards in the order of their issuance. No Refunding Bond shall be issued originally or upon transfer or partial redemption having more than one principal maturity. The initial bond numbering and principal amounts for each of the Refunding Bonds issued shall be designated by the City's Treasurer as directed by the initial purchaser thereof. Payments of interest due on the Refunding Bonds prior to maturity or date of redemption shall be made by the Paying Agent and Registrar, as designated pursuant to Section 3 hereof, by mailing a check or draft in the amount due for such interest on each Interest Payment Date to the registered owner of each Refunding Bond, as of the Record Date for such Interest Payment Date, to such owner's registered address as shown on the books of registration as required to be maintained in Section 3 hereof. Payments of principal and accrued interest thereon due at maturity or at any date fixed for redemption prior to maturity shall be made by said Paying Agent and Registrar to the registered owners upon presentation and surrender of the Refunding Bonds to said Paying Agent and Registrar. The City and said Paying Agent and Registrar may treat the registered owner of any Refunding Bond as the absolute owner of such Refunding Bond for the purpose of

making payments thereon and for all other purposes and neither the City nor the Paying Agent and Registrar shall be affected by any notice or knowledge to the contrary, whether such Refunding Bond or any installment of interest due thereon shall be overdue or not. All payments on account of interest or principal made to the registered owner of any Refunding Bond in accordance with the terms of this Ordinance shall be valid and effectual and shall be a discharge of the City and said Paying Agent and Registrar, in respect of the liability upon the Refunding Bonds or claims for interest to the extent of the sum or sums so paid.

Section 3. The City Treasurer is hereby designated to serve as Paying Agent and Registrar for the Refunding Bonds. The Paying Agent and Registrar shall keep and maintain for the City books for the registration and transfer of the Refunding Bonds at its office. The names and registered addresses of the registered owner or owners of the Refunding Bonds shall at all times be recorded in such books. Any Refunding Bond may be transferred pursuant to its provisions at the office of said Paying Agent and Registrar by surrender of such Refunding Bond for cancellation, accompanied by a written instrument of transfer, in form satisfactory to said Paying Agent and Registrar, duly executed by the registered owner in person or by such owner's duly authorized agent, and thereupon the Paying Agent and Registrar on behalf of the City will deliver at its office (or send by registered mail to the transferee owner or owners thereof at such transferee owner's or owners' risk and expense), registered in the name of such transferee owner or owners, a new Refunding Bond or Refunding Bonds of the same interest rate, aggregate principal amount and maturity. To the extent of the denominations authorized for the Refunding Bonds by this Ordinance, one Refunding Bond may be transferred for several such Refunding Bonds of the same interest rate and maturity, and for a like aggregate principal amount, and several such Refunding Bonds may be transferred for one or several such Refunding Bonds, respectively, of the same interest rate and maturity and for a

like aggregate principal amount. In every case of transfer of a Refunding Bond, the surrendered Refunding Bond shall be canceled and destroyed. All Refunding Bonds issued upon transfer of the Refunding Bonds so surrendered shall be valid obligations of the City evidencing the same obligations as the Refunding Bonds surrendered and shall be entitled to all the benefits and protection of this Ordinance to the same extent as the Refunding Bonds upon transfer of which they were delivered. The City and said Paying Agent and Registrar shall not be required to transfer any Refunding Bond during any period from any Record Date until its immediately following Interest Payment Date or to transfer any Refunding Bond called for redemption for a period of 30 days next preceding the date fixed for redemption.

Section 4. In the event that payments of interest due on the Refunding Bonds on an Interest Payment Date are not timely made, such interest shall cease to be payable to the registered owners as of the Record Date for such Interest Payment Date and shall be payable to the registered owners of the Refunding Bonds as of a special date of record for payment of such defaulted interest as shall be designated by the Paying Agent and Registrar whenever monies for the purpose of paying such defaulted interest become available.

Section 5. If the date for payment of the principal of or interest on the Refunding Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of Lexington are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such day shall have the same force and effect as if made on the nominal date of payment.

Section 6. Refunding Bonds maturing November 15, 2007, and thereafter shall be subject to redemption, in whole or in part, prior to maturity at any time on or after August 1, 2007, at par

plus accrued interest on the principal amount redeemed to the date fixed for redemption. The City may select the Refunding Bonds to be redeemed in its sole discretion but the Refunding Bonds shall be redeemed only in amounts of \$5,000 or integral multiples thereof. Refunding Bonds redeemed in part only shall be surrendered to said Paying Agent and Registrar in exchange for new Refunding Bonds evidencing the unredeemed principal thereof. Notice of redemption of any Refunding Bond called for redemption shall be given at the direction of the City by said Paying Agent and Registrar by mail not less than 30 days prior to the date fixed for redemption, first class, postage prepaid, sent to the registered owner of such Refunding Bond at said owner's registered address. Such notice shall designate the Refunding Bond or Refunding Bonds to be redeemed by maturity or otherwise, the date of original issue and the date fixed for redemption and shall state that such Refunding Bond or Refunding Bonds are to be presented for prepayment at the office of said Paying Agent and Registrar. In case of any Refunding Bond partially redeemed, such notice shall specify the portion of the principal amount of such Refunding Bond to be redeemed. No defect in the mailing of notice for any Refunding Bond shall affect the sufficiency of the proceedings of the City designating the Refunding Bonds called for redemption or the effectiveness of such call for Refunding Bonds for which notice by mail has been properly given and the City shall have the right to further direct notice of redemption for any such Refunding Bond for which defective notice has been given.

Section 7. The Refunding Bonds shall be in substantially the following form:

**UNITED STATES OF AMERICA
STATE OF NEBRASKA
COUNTY OF DAWSON
GENERAL OBLIGATION REFUNDING BOND OF
THE CITY OF LEXINGTON, NEBRASKA**

No.

\$

Interest Rate

Maturity Date

Date of Original Issue

Cusip No.

_____, 2002

Registered Owner:

Principal Amount:

Dollars (\$)

KNOW ALL PERSONS BY THESE PRESENTS: That the City of Lexington, in the County of Dawson, in the State of Nebraska, hereby acknowledges itself to owe and for value received promises to pay to the registered owner specified above, or registered assigns, the principal amount specified above in lawful money of the United States of America on the date of maturity specified above with interest thereon to maturity (or earlier redemption) from the date of original issue or most recent Interest Payment Date, whichever is later, at the rate per annum specified above, payable on November 15, 2002, and semiannually thereafter on May 15 and November 15 of each year (each of said dates an "Interest Payment Date"). Said interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The principal hereof and unpaid accrued interest thereon due at maturity or upon redemption prior to maturity are payable upon presentation and surrender of this bond at the office of the City Treasurer, the Paying Agent and Registrar, in Lexington, Nebraska. Interest on this bond due prior to maturity or earlier redemption will be paid on each Interest Payment Date by a check or draft mailed by the Paying Agent and Registrar to the registered owner of this bond, as shown on the books of record maintained by the Paying Agent and Registrar, at the close of business on the last business day of the month immediately preceding the month in which the Interest Payment Date occurs, to such owner's registered address as shown on such books and records. Any interest not so timely paid shall cease to be payable to the person entitled thereto as of the record date such interest was payable, and shall be payable to the person who is the registered owner of this bond (or of one or more predecessor bonds hereto) on such special record date for payment of such defaulted interest as shall be fixed by the Paying Agent and Registrar whenever monies for such purpose become available. For the prompt payment of this bond, principal and interest, as the same become due, the full faith, credit and resources of said City are hereby irrevocably pledged.

This bond is one of an issue of fully registered bonds of the total principal amount of One Million Five Hundred Twenty-five Thousand Dollars (\$1,525,000), of even date and like tenor except as to date of maturity, rate of interest and denomination which were issued by the City for the purpose of refunding \$1,535,000 of the City's outstanding Various Purpose Bonds, date of original issue - May 15, 1997, all in strict compliance with and in pursuance of Section 10-142

R.R.S. Neb. 1997, as amended. The issuance of said bonds has been authorized by proceedings duly had and an ordinance legally passed, approved and published by the Mayor and Council of said City.

Bonds of this issue maturing November 15, 2007, and thereafter are subject to redemption at the option of the City, in whole or in part, at any time on or after August 1, 2007, at par plus interest accrued on the principal amount redeemed to the date fixed for redemption. Notice of redemption shall be given by mail to the registered owner of any bond to be redeemed at said registered owner's address in the manner specified in the ordinance authorizing said issue of bonds. Individual bonds may be redeemed in part but only in \$5,000 amounts or integral multiples thereof.

This bond is transferable by the registered owner or such owner's attorney duly authorized in writing at the office of the Paying Agent and Registrar upon surrender and cancellation of this bond, and thereupon a new bond or bonds of the same aggregate principal amount, interest rate and maturity will be issued to the transferee as provided in the ordinance authorizing said issue of bonds, subject to the limitations therein prescribed. The City, the Paying Agent and Registrar and any other person may treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment due hereunder and for all purposes and shall not be affected by any notice to the contrary, whether this bond be overdue or not.

If the date for payment of the principal of or interest on this bond shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of Lexington are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such day shall have the same force and effect as if made on the nominal date of payment.

IT IS HEREBY CERTIFIED AND WARRANTED that all conditions, acts and things required by law to exist or to be done precedent to and in the issuance of this bond and in the issuance of the bonds refunded hereby did exist, did happen and were done and performed in regular and due form and time as required by law and that the indebtedness of said City, including this bond, does not exceed any limitation imposed by law. The City agrees that it will cause to be levied and collected annually a tax by valuation on all the taxable property in the City, in addition to all other taxes, sufficient in rate and amount to pay the principal and interest of said bonds as the same become due.

AS PROVIDED IN THE ORDINANCE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE ORDINANCE, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISIONS OF THE ORDINANCE TO THE CONTRARY, A PORTION OF THE PRINCIPAL AMOUNT OF THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE PAYING AGENT AND REGISTRAR. DTC OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR

ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE ORDINANCE.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED OFFICER OF DTC (A) TO THE PAYING AGENT AND REGISTRAR FOR REGISTRATION OF TRANSFER OR EXCHANGE OR (B) TO THE PAYING AGENT AND REGISTRAR FOR PAYMENT OF PRINCIPAL, AND ANY BOND ISSUED IN REPLACEMENT HEREOF OR SUBSTITUTION HEREOF IS REGISTERED IN THE NAME OF DTC AND ANY PAYMENT IS MADE TO DTC OR ITS NOMINEE, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSONS IS WRONGFUL BECAUSE ONLY THE REGISTERED OWNER HEREOF, DTC OR ITS NOMINEE, HAS AN INTEREST HEREIN.

This bond shall not be valid and binding on the City until authenticated by the Paying Agent and Registrar.

IN WITNESS WHEREOF, the Mayor and Council of the City of Lexington, Nebraska, have caused this bond to be executed on behalf of the City with the facsimile signatures of the Mayor and the City Clerk and by causing the official seal of the City to be imprinted hereon or affixed hereto, all as of the date of original issue specified above.

CITY OF LEXINGTON, NEBRASKA

(Facsimile Signature)
Mayor

ATTEST:

(Facsimile Signature)
City Clerk

(SEAL)

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This bond is one of the series designated therein and has been registered to the owner named in said bond and the name of such owner has been recorded in the books of record maintained by the undersigned as Paying Agent and Registrar for said issue of bonds.

City Treasurer,
Paying Agent and Registrar
for the City of Lexington, Nebraska

(FORM OF ASSIGNMENT)

For value received _____ hereby
sells, assigns, and transfers unto _____ the
within bond and hereby irrevocably constitutes and appoints _____
_____, Attorney, to transfer the same on the books of registration in the office of
the within mentioned Paying Agent and Registrar with full power of substitution in the premises.

Date: _____

Registered Owner

Signature Guaranteed

By: _____

Authorized Officer

Note: The signature(s) on this assignment MUST CORRESPOND with the name(s) as written on the face of the within bond in every particular, without alteration, enlargement or any change whatsoever, and must be guaranteed by a commercial bank or a trust company or by a firm having membership on the New York, Midwest or other stock exchange.

Section 8. Each of the Refunding Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and the City Clerk and shall have imprinted thereon the City's seal. The Refunding Bonds shall be issued initially as "book-entry-only" bonds under the services of The Depository Trust Company (the "Depository"), with one typewritten bond per maturity being issued to the Depository. In such connection said officers are authorized to execute and deliver a Letter of Representations (the "Letter of Representations") in the form required by the Depository (which may be in the form of a blanket letter, including any such letter previously executed and delivered), for and on behalf of the City, which shall thereafter govern matters with respect to registration, transfer, payment and redemption of the Refunding Bonds. With respect to the issuance of the Refunding Bonds as "book-entry-only" bonds, the following provisions shall apply:

(a) The City and the Paying Agent and Registrar shall have no responsibility or obligation to any broker-dealer, bank or other financial institution for which the Depository holds Refunding Bonds as securities depository (each, a "Bond Participant") or to any person who is an actual purchaser of a Refunding Bond from a Bond Participant while the Refunding Bonds are in book-entry form (each, a "Beneficial Owner") with respect to the following:

(i) the accuracy of the records of the Depository, any nominees of the Depository or any Bond Participant with respect to any ownership interest in the Refunding Bonds,

(ii) the delivery to any Bond Participant, any Beneficial Owner or any other person, other than the Depository, of any notice with respect to the Refunding Bonds, including any notice of redemption, or

(iii) the payment to any Bond Participant, any Beneficial Owner or any other person, other than the Depository, of any amount with respect to the Refunding Bonds. The Paying Agent and Registrar shall make payments with respect to the Refunding Bonds only to or upon the order of the Depository or its nominee, and all such payments shall be valid and effective fully to satisfy and discharge the obligations with respect to such Refunding Bonds to the extent of the sum or sums so paid. No person other than the Depository shall receive an authenticated Bond, except as provided in (e) below.

(b) Upon receipt by the Paying Agent and Registrar of written notice from the Depository to the effect that the Depository is unable or unwilling to discharge its responsibilities, the Paying Agent and Registrar shall issue, transfer and exchange Refunding Bonds requested by the Depository in appropriate amounts. Whenever the Depository requests the Paying Agent and Registrar to do so, the Paying Agent and Registrar will cooperate with the Depository in taking appropriate action after reasonable notice (i) to arrange, with the prior written consent of the City, for a substitute depository willing and able upon reasonable and customary terms to maintain custody of the Refunding Bonds or (ii) to make available Refunding Bonds registered in whatever name or names as the Beneficial Owners transferring or exchanging such Refunding Bonds shall designate.

(c) If the City determines that it is desirable that certificates representing the Refunding Bonds be delivered to the ultimate beneficial owners of the Refunding Bonds and so notifies the Paying Agent and Registrar in writing, the Paying Agent and Registrar shall so notify the Depository, whereupon the Depository will notify the Bond Participants of the availability through the Depository of bond certificates representing the Refunding Bonds. In such event, the Paying Agent and Registrar shall issue, transfer and exchange bond certificates representing the Refunding Bonds as requested by the Depository in appropriate amounts and in authorized denominations.

(d) Notwithstanding any other provision of this Ordinance to the contrary, so long as any Refunding Bond is registered in the name of the Depository or any nominee thereof, all payments with respect to such Refunding Bond and all notices with respect to such Refunding Bond shall be made and given, respectively, to the Depository as provided in the Letter of Representations.

(e) Registered ownership of the Refunding Bonds may be transferred on the books of registration maintained by the Paying Agent and Registrar, and the Refunding Bonds may be delivered in physical form to the following:

(i) any successor securities depository or its nominee;

(ii) any person, upon (A) the resignation of the Depository from its functions as depository or (B) termination of the use of the Depository pursuant to this Section.

(f) In the event of any partial redemption of a Refunding Bond unless and until such partially redeemed bond has been replaced in accordance with the provisions of this Ordinance, the books and records of the Paying Agent and Registrar shall govern and establish the principal amount of such bond as is then outstanding and all of the Refunding Bonds issued to the Depository or its nominee shall contain a legend to such effect.

If for any reason the Depository resigns and is not replaced, the City shall immediately provide a supply of printed bond certificates for issuance upon the transfers from the Depository and

subsequent transfers or in the event of partial redemption. In the event that such supply of certificates shall be insufficient to meet the requirements of the Paying Agent and Registrar for issuance of replacement certificates upon transfer or partial redemption, the City agrees to order printed an additional supply of such certificates and to direct their execution by manual or facsimile signatures of its then duly qualified and acting Mayor and City Clerk and by imprinting thereon or affixing thereto the City's seal. In case any officer whose signature or facsimile thereof shall appear on any Refunding Bond shall cease to be such officer before the delivery of such bond (including such certificates delivered to the Paying Agent and Registrar for issuance upon transfer or partial redemption), such signature or such facsimile signature shall nevertheless be valid and sufficient for all purposes the same as if such officer or officers had remained in office until the delivery of such bond. The Refunding Bonds shall not be valid and binding on the City until authenticated by the Paying Agent and Registrar. The Refunding Bonds shall be delivered to the Paying Agent and Registrar for registration and authentication. Upon execution, registration and authentication of the Refunding Bonds, they shall be delivered to the City Treasurer, who is authorized to deliver them to Ameritas Investment Corp., as initial purchaser thereof, upon receipt of 98.75% of the principal amount of the Refunding Bonds plus accrued interest thereon to date of payment for the Refunding Bonds. The officers of the City (or any one of them) are hereby authorized to execute and deliver the Bond Purchase Agreement for and on behalf of the City. Said initial purchaser shall have the right to direct the registration of the Refunding Bonds and the denominations thereof within each maturity, subject to the restrictions of this Ordinance. The City Clerk shall make and certify a transcript of the proceedings of the Mayor and Council with respect to the Refunding Bonds which shall be delivered to said purchaser.

Section 9. The proceeds of the Refunding Bonds shall be applied to the payment and satisfaction of principal and interest on the 1997 Refunded Bonds as called for redemption on August 1, 2002. Accrued interest, if any, received from the sale of the Refunding Bonds shall be applied to pay interest falling due on said Refunding Bonds on November 15, 2002. Expenses of issuance of the Refunding Bonds may be paid from the proceeds of the Refunding Bonds.

Section 10. The holders of the Refunding Bonds shall be subrogated to all rights of the holders of the Refunded Bonds including the right to have special assessments set aside as a sinking fund for the payment of principal thereof and interest thereon from and after their payment and redemption on August 1, 2002. The City agrees that it shall cause to be levied and collected annually a special levy of taxes on all the taxable property in the City, in addition to all other taxes, sufficient in rate and amount to fully pay the principal and interest of the Refunding Bonds when and as such principal and interest become due.

Section 11. The City hereby covenants to the purchasers and holders of the Refunding Bonds hereby authorized that it will make no use of the proceeds of said bond issue, including monies held in any sinking fund for the Refunding Bonds, which would cause the Refunding Bonds to be arbitrage bonds within the meaning of Sections 103(b) and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and further covenants to comply with said Sections 103(b) and 148 and all applicable regulations thereunder throughout the term of said refunding bond issue. The City hereby covenants and agrees to take all actions necessary under the Code to maintain the tax exempt status (as to taxpayers generally) of interest payable on the Refunding Bonds. The City hereby designates the Refunding Bonds as its "qualified tax-exempt obligations" pursuant to Section 265(b)(3)(B)(i)(III) of the Code and covenants and warrants that it does not reasonably expect to

issue tax-exempt bonds or other tax-exempt obligations aggregating in principal amount more than \$10,000,000 during calendar 2002.

Section 12. The City's obligations under this Ordinance with respect to any or all of the Refunding Bonds herein authorized shall be fully discharged and satisfied as to any or all of such Refunding Bonds and any such Refunding Bond shall no longer be deemed to be outstanding hereunder if such Refunding Bond has been purchased by the City and canceled or when the payment of the principal of and interest thereon to the respective date of maturity or redemption (a) shall have been made or caused to be made in accordance with the terms thereof or (b) shall have been provided for by depositing with a national or state bank having trust powers, or trust company, in trust, solely for such payment (i) sufficient money to make such payment and/or (ii) direct general obligations (including obligations issued or held in book entry form on the books of the Department of Treasury of the United States of America) of or obligations the principal and interest of which are unconditionally guaranteed by the United States of America (herein referred to as "U.S. Government Obligations") in such amount and bearing interest payable and maturing or redeemable at stated fixed prices at the option of the holder as to principal, at such time or times, as will ensure the availability of sufficient money to make such payment; provided, however, that with respect to any Refunding Bond to be paid prior to maturity, the City shall have duly called such bond for redemption and given notice of such redemption as provided by law or made irrevocable provision for the giving of such notice. Any money so deposited with such bank or trust company may be invested or reinvested in U.S. Government Obligations at the direction of the City, and all interest and income from U.S. Government Obligations in the hands of such bank or trust company in excess of the amount required to pay principal of and interest on the Refunding Bonds for which such

monies or U.S. Government Obligations were deposited shall be paid over to the City as and when collected.

Section 13. In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the City hereby agrees that it will provide the following continuing disclosure information:

(a) to each nationally recognized municipal securities information repository (a "NRMSIR") and to the initial purchaser of the Refunding Bonds, the City shall provide annual financial and operating information generally consistent with the information set forth under the heading "FINANCIAL STATEMENT" in the Official Statement for said bonds and the City's audited financial statements; such information is expected to be available not later than seven months after the end of each fiscal year for the City; audited financial information shall be provided for the primary governmental, fiduciary and proprietary fund types based on generally accepted accounting principles applied to government units and in accordance with the standards set by the Governmental Accounting Standards Board;

(b) in a timely manner to each NRMSIR or to the Municipal Securities Rule Making Board ("MSRB"), notice of the occurrence of any of the following events with respect to the Refunding Bonds, if in the judgment of the City, such event is material:

- (1) principal and interest payment delinquencies,
- (2) non-payment related defaults,
- (3) unscheduled draws on debt service reserves reflecting financial difficulties (there are no debt service reserves established for the Refunding Bonds under the terms of the Ordinance),
- (4) unscheduled draws on credit enhancements reflecting financial difficulties (there is no credit enhancement on the Refunding Bonds);
- (5) substitution of credit or liquidity providers, or their failure to perform (not applicable to the Refunding Bonds);
- (6) adverse tax opinions or events affecting the tax-exempt status of the Refunding Bonds,
- (7) modifications to rights of the bondholders,

- (8) bond calls,
- (9) defeasances,
- (10) release, substitution, or sale of property securing repayment of the Refunding Bonds, and
- (11) rating changes (the Refunding Bonds are not rated and no rating for the Refunding Bonds is expected to be requested).

The City has not undertaken to provide notice of the occurrence of any other material event, except the events listed above.

(c) in a timely manner to each NRMSIR or to the Municipal Securities Rule Making Board ("MSRB") notice of any failure on the part of the City to provide required annual financial information not later than seven months from the close of the City's fiscal year.

The City reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City, consistent with the Rule. The City hereby agrees that such covenants are for the benefit of the registered owners of the Refunding Bonds (including Beneficial Owners) and that such covenants may be enforced by any registered owner or Beneficial Owner, provided that any such right to enforcement shall be limited to specific enforcement of such undertaking and any failure shall not constitute an event of default under the Ordinance. The continuing disclosure obligations of the City under the Ordinance, as described above, shall cease when none of the Refunding Bonds remain outstanding.

Section 14. The Preliminary Official Statement is hereby approved and the Mayor and City Clerk are hereby authorized to approve on behalf of the City a final Official Statement with any changes deemed appropriate by them.

Section 15. This Ordinance shall be in force and take effect from and after its passage and publication in pamphlet form as provided by law.

Passed and approved this 25th day of June, 2002.

John B. Fyke

Mayor

Attest:

Shirley Lewis

City Clerk Deputy

