

(Published in *The Miami County Republic* on November 30, 2007)

ORDINANCE NO. 2964

AN ORDINANCE AUTHORIZING ISSUANCE OF THE CITY OF PAOLA, KANSAS GENERAL OBLIGATION BONDS, SERIES A, 2007, IN THE PRINCIPAL AMOUNT OF \$2,840,000, FOR THE PURPOSE OF FINANCING COSTS OF CERTAIN CAPITAL IMPROVEMENTS IN THE CITY; PROVIDING FOR THE LEVY AND COLLECTION OF AN ANNUAL TAX TO PAY THE BONDS; AUTHORIZING OTHER DOCUMENTS AND ACTIONS AND MAKING CERTAIN COVENANTS RELATED TO SUCH BONDS.

WHEREAS, the governing body of the City of Paola, Kansas (the “City”), under the authority of K.S.A. 12-6a01 *et seq.*, as amended and supplemented (the “Special Assessment Act”), has authorized street, water, storm sewer and sanitary sewer improvements in Rockwood Estates III, as authorized by Resolution No. 2005-010, as amended by Resolution No. 2007-010; and

WHEREAS, pursuant to K.S.A. 12-685 *et seq.*, as amended and supplemented (the “Main Trafficway Act”), the City has authorized the improvement of Baptiste Drive, as authorized by Resolution No. 2005-016, as amended by Resolution No. 2007-017 adopted concurrently with this Ordinance; and

WHEREAS, the City is authorized by the Special Assessment Act, the Main Trafficway Act, and K.S.A. 10-101 to 10-125, inclusive, as supplemented and amended (the “Bond Act”), to issue, sell and deliver its general obligation bonds for the purpose of providing financing for the unpaid costs of the improvements described above (the “Project”); and

WHEREAS, the governing body finds and determines it is necessary to authorize and provide for the issuance of general obligation bonds of the City for such purposes.

NOW, THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF PAOLA, KANSAS:

SECTION 1. Authorization of the Bonds. The City’s General Obligation Bonds, Series A, 2007, of the City in the total principal amount of \$2,840,000 (the “Bonds”) are authorized to be issued for the purpose of providing funds to pay a portion of the costs of the Project.

SECTION 2. Security for the Bonds. The Bonds are general obligations of the City payable as to both principal and interest in part from special assessments levied on certain property in the City benefiting from certain improvements and, if not so paid, from ad valorem taxes that may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The balance of the Bonds are payable as to both principal and interest from ad valorem taxes that may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. The full faith, credit and resources of the City are hereby

pledged to secure the payment of the principal of and the interest on the Bonds as the same severally become due and payable.

SECTION 3. Terms, Details and Conditions of the Bonds. The Bonds shall be dated and bear interest, shall mature and be payable at such times, shall be in such forms, shall be subject to redemption and payment prior to maturity thereof, and shall be issued and delivered in the manner prescribed and subject to the provisions, covenants and agreements set forth in a resolution adopted concurrently with this Ordinance by the governing body of the City (the "Resolution").

SECTION 4. Designation of Paying Agent and Bond Registrar; Issuer/Agent Agreement. Pursuant to K.S.A. 10-620 *et seq.*, the governing body elects to have the provisions of the Kansas Bond Registration Law apply to the Bonds and designates and appoints the Treasurer of the State of Kansas, Topeka, Kansas, as the Bond Registrar and Paying Agent for the Bonds (the "Paying Agent"). The terms, conditions and provisions under which the Paying Agent will perform its duties are set forth in an Agreement between Issuer and Agent dated as of December 1, 2007 (the "Issuer/Agent Agreement"). The Issuer/Agent Agreement, in substantially the form presented to the governing body with this Ordinance, is approved and the Mayor and City Clerk are authorized to execute and deliver the Issuer/Agent Agreement for and on behalf of the City.

SECTION 5. Levy and Collection of Annual Tax. The governing body of the City shall annually make provision for the payment of principal of, premium, if any, and interest on the Bonds as the same become due by levying and collecting the necessary taxes and/or assessments upon all of the taxable tangible property within the City in the manner provided by law.

The taxes and/or assessments above referred to shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as other general ad valorem taxes of the City are levied and collected, shall be used solely for the payment of the principal of and interest on the Bonds as and when the same become due and the fees and expenses of the Paying Agent. The proceeds of such taxes and/or assessments shall be deposited in the Series A, 2007 Principal and Interest Account for the Bonds as defined in the Resolution.

If at any time such taxes and/or assessments are not collected in time to pay the principal of or interest on the Bonds when due, the City Treasurer is authorized and directed to pay such principal or interest out of the general funds of the City and to reimburse the City's general funds for money so expended when the taxes and/or assessments are collected.

SECTION 6. Federal Tax Covenants. The governing body of the City covenants that for as long as any Bonds remain outstanding and unpaid, it will make no use of the proceeds of the Bonds which, if such use had been reasonably expected on the date of issuance and delivery, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 103(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code"); and that it will comply with all applicable requirements of Section 148 of the Code and the applicable rules and regulations of the United States Treasury Department enacted under the Code as long as any of the Bonds

remain outstanding and unpaid. The governing body further covenants to take all such action in its power as may be required from time to time in order to ensure that interest paid on the Bonds remains tax-exempt under the Code, and to comply with all provisions of the Code, as the same be amended, and any applicable rules and regulations of the United States Treasury Department enacted pursuant to the Code.

SECTION 7. Authorization of Official Statement. The governing body of the City hereby ratifies and confirms its prior approval of the form Preliminary Official Statement dated November 19, 2007 and the Preliminary Official Statement is “deemed final” according to the provisions of Securities and Exchange Commission Rule 15c2-12 (the “Rule”). The City approves the form and content of any addenda, supplement, or amendment used to prepare the final Official Statement. The final Official Statement is “deemed final” according to the provisions of the Rule. The use of the final Official Statement in the reoffering of the Bonds by Wachovia Securities, LLC, Richmond, Virginia, as Original Purchaser is approved and authorized; and the Mayor is authorized to execute and the City Clerk to attest the Official Statement on behalf of the City.

SECTION 8. Continuing Disclosure Undertaking. The Continuing Disclosure Undertaking, in substantially the form presented to the governing body with this Ordinance, is approved and the Mayor and City Clerk are authorized to execute and deliver the Continuing Disclosure Undertaking for and on behalf of the City.

SECTION 9. Further Authority. The City and its officers, agents and employees are authorized and directed to, take such actions, expend such moneys and execute such other documents, certificates and instruments as may be necessary or desirable in order to carry out and comply with this Ordinance and to give effect to the transactions contemplated hereby, including final certificates required to be included in the official Transcript of Proceedings relating to the authorization and issuance of the Bonds, all without further action by the governing body.

SECTION 10. Severability. If any provision of this Ordinance is held or deemed invalid, inoperative or unenforceable in any particular case in any jurisdiction or in all cases because it conflicts with any other provision herein or with any constitution, statute or rule of public policy, or for any other reason, such circumstances shall not render the provision in question inoperative or unenforceable in any other case or circumstance, or render any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatsoever.

SECTION 11. Governing Law. This Ordinance and the Bonds shall be governed exclusively by and construed in accordance with the applicable laws of the State of Kansas.

SECTION 12. Effective Date. This Ordinance shall be in force and take effect from and after its adoption and approval and its publication one time in the City’s official newspaper.

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ADOPTED AND APPROVED by the governing body of the City of Paola, Kansas on November 27, 2007.

CITY OF PAOLA, KANSAS

[seal]

By _____
Artie Stuteville, Mayor

ATTEST:

By _____
Daniel G. Droste, City Clerk