

ORDINANCE NO. 2012-04

AN ORDINANCE AUTHORIZING THE CONSTRUCTION OF BETTERMENTS AND IMPROVEMENTS TO THE WATER FACILITIES OF THE WATER AND SEWER SYSTEM OF THE CITY OF BULL SHOALS, ARKANSAS; AUTHORIZING THE ISSUANCE AND SALE OF A REVENUE BOND FOR THE PURPOSE OF FINANCING ALL OR A PORTION OF THE COST OF THE CONSTRUCTION; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BOND; AND PRESCRIBING OTHER MATTERS RELATING THERETO.

BE IT ORDAINED by the City Council of the City of Bull Shoals, Arkansas that:

Section 1. Certain terms used herein are defined in the bond form appearing in Section 5 of this Ordinance; other terms used herein shall have the following definitions:

"Accountant" means an independent certified public accountant not in the regular employ of the Issuer.

"Agreement" means the Memorandum of Agreement between the Issuer and the Commission, No. 00896-CGO-L, as now or hereafter revised.

"Authorized Officers" means Bruce Powell, Mayor, and Kimberly Williams, City Recorder, or successors.

"Bond" means City of Bull Shoals, Arkansas Water and Sewer Revenue Bond authorized by this Ordinance in the Principal Amount.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commission" means the Arkansas Natural Resources Commission.

"Construction Fund" means a special fund created by this Ordinance and designated "2012 Water and Sewer Revenue Bond Construction Fund."

"Depreciation Fund" means a special fund which has been heretofore created and designated "Water and Sewer Depreciation Fund."

"Operation and Maintenance Fund" means a special fund which has been heretofore created and designated "Water and Sewer Operation and Maintenance Fund."

"Purchase Price" means an amount equal to the Principal Amount.

"Revenue Fund" means a special fund which has been heretofore created and designated "Water and Sewer Revenue Fund."

Section 2. The Improvements shall be accomplished. The acquisition, construction and equipping of the Improvements are hereby approved, authorized and directed. The Authorized Officers are hereby authorized to take, or cause to be taken, all action necessary to accomplish the Improvements and to execute all required contracts and documents, including, but not limited to, the Agreement. The City Council hereby finds and declares that the period of usefulness of the System will be more than 15 years, which is longer than the term of the Bond.

Section 3. (a) Under the authority of the laws of the State, including particularly the Acts, the issuance of the Bond is hereby authorized and the Bond is ordered issued for the purpose of accomplishing the Improvements and paying necessary expenses incidental thereto and to the issuance of the Bond.

(b) The Bond shall be initially dated the date of original issuance and delivery, shall mature on the Maturity Date and shall bear interest from the Date of Issue at the Interest Rate. Principal of and interest on the Bond shall be payable according to the Payment Schedule.

(c) The Bond shall be issuable as a fully registered Bond in one denomination and shall be numbered "R-1."

(d) The Trustee is designated to act for the Registered Owner.

(e) The Bond, upon subsequent transfer, shall be exchanged for a new Bond dated as of the Payment Date to which interest has been paid, or if it is transferred prior to a date on which any interest has been paid, it shall be dated the Date of Issue. Principal and interest on the Bond shall be payable on the Payment Dates. Payment of each installment of principal and interest (except final payment) shall be made to the person in whose name the Bond is registered on the registration books of the Issuer maintained by the Trustee, as bond registrar, at the close of business on the Record Date, irrespective of any transfer or exchange of any such Bond subsequent to such Record Date, and prior to such Payment Date, by check or draft mailed by the Trustee to such Registered Owner, at his address on such registration books. Final payment of principal of the Bond shall be payable at the corporate trust office of the Trustee in Little Rock, Arkansas.

(f) Only such Bond as shall have endorsed thereon a Certificate of Authentication substantially in the form set forth herein duly executed by the Trustee shall be entitled to any right or benefit hereunder. No Bond shall be valid and obligatory for any purpose unless and until such Certificate shall have been duly executed by the Trustee, and such Certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered hereunder.

(g) In case the Bond shall become mutilated or be destroyed or lost, the Issuer shall 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 Registered Owner paying the reasonable expenses and charges of the Issuer and the Trustee in connection therewith, and, in the case of the Bond being destroyed or lost, his filing with the Trustee evidence satisfactory to it that the Bond was destroyed or lost, and of his ownership thereof, and furnishing the Issuer and the Trustee with indemnity satisfactory to them. The Trustee is hereby authorized to authenticate any such new Bond. Upon the issuance of a new Bond under this Section, the Issuer 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.

(h) The Issuer shall cause to be maintained books for the registration and for the transfer of the Bond as provided herein and in the Bond. The Trustee shall act as the bond registrar. The Bond is transferable only at the principal office of the Trustee by the Registered Owner thereof or by his attorney duly authorized in writing. Upon such transfer the ownership of the Bond shall be registered to the subsequent Registered Owner, and a new fully registered Bond of the same maturity, for the same Principal Amount, less the amount of partial redemption, if any, will be issued in exchange therefor to the subsequent Registered Owner.

(i) No charge shall be made to the Registered Owner of the Bond for the privilege of transfer, but any Registered Owner of the Bond requesting any such transfer 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 transfer and any other expenses of the Issuer or the Trustee incurred in connection therewith, shall be paid by the Issuer.

(j) The person in whose name the Bond shall be registered shall be deemed and regarded as the absolute Registered Owner thereof for all purposes, and payment of or on account of the principal or interest on the 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 the Bond to the extent of the sum or sums so paid. Neither the Issuer nor the Trustee shall be affected by any notice to the contrary.

(k) When the Payment Date or date fixed for redemption of the Bond 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 principal or interest need not be made on such date but may be made the next succeeding business day with the same force and effect as if made on the Payment Date or date fixed for redemption and no interest shall accrue for the period after the Payment Date or date fixed for redemption.

(l) The Bond shall be executed on behalf of the Issuer by the manual signatures of the Authorized Officers and the seal of the Issuer shall be affixed thereto.

Section 4. The sale of the Bond to the Commission for the Purchase Price pursuant to the Agreement is hereby authorized subject to the Interest Rate, Maturity Date and other terms and provisions set forth in detail herein. The Agreement, in substantially the form submitted to this meeting, is hereby approved. The Mayor is hereby authorized and directed to execute and deliver the Agreement on behalf of the Issuer and to take all action required on the part of the Issuer to fulfill its obligations under the Agreement. The Mayor is further authorized and directed to execute and deliver any necessary revision to the Agreement on behalf of the Issuer in order to modify any provisions thereof to conform to the terms of this Ordinance.

Section 5. The Bond and the Trustee's Certificate of Authentication shall be in substantially the following form and the Authorized Officers are hereby expressly authorized and directed to make all recitals on behalf of the Issuer contained therein:

(Form of Bond)

REGISTERED

REGISTERED

No. R-1

\$309,000

UNITED STATES OF AMERICA
STATE OF ARKANSAS
COUNTY OF MARION
CITY OF BULL SHOALS
WATER AND SEWER REVENUE BOND

As used in this Bond the following terms shall have the following definitions:

"Act" or "Acts" whether one or more means Title 14, Chapter 234, Subchapter 2; Title 14, Chapter 235, Subchapter 2; Title 14, Chapter 164, Subchapter 4; and Title 19, Chapter 9, Subchapter 6, of the Arkansas Code of 1987 Annotated.

"Authorizing Ordinance" means Ordinance No. ~~7-2-2012~~ of the Issuer duly adopted on May 7, 2012.

"Bond Fund" means a special fund which has been created by the Authorizing Ordinance and is designated "2012 Water and Sewer Revenue Bond Fund."

"Dated Date" means the Date of Issue or, if this Bond is exchanged and registered to a subsequent Registered Owner, the Payment Date immediately prior to such exchange or registration.

"Date of Issue" means the date this Bond is issued and delivered to the original purchaser, which is _____, 2012.

"Improvements" means betterments and improvements to the water facilities of the System.

"Interest Rate" means 2.50%.

"Issuer" means City of Bull Shoals, Arkansas.

"Maturity Date" means June 1, 2022.

"Payment Date" means December 1, 2012 and every June 1 and December 1 thereafter.

"Payment Schedule" means a \$ 5,150.00 installment of interest only on December 1, 2012, and, thereafter, equal semi-annual installments of principal and interest in the amount of \$18,372 on each Payment Date to and including December 1, 2021, with \$18,368 of principal and interest due on the Maturity Date.

"Principal Amount" means \$309,000.

"Prior Issues" means the Issuer's Water and Sewer Revenue Bond, dated October 24, 1988, the Issuer's Water and Sewer Revenue Bond, dated June 7, 2010 and the Issuer's indebtedness to the Arkansas Natural Resources Commission pursuant to a loan agreement dated as of December 1, 2004 (No. 00349-WSSW-L).

"Record Date" means the 15th day of the month (whether or not a business day) next preceding each Payment Date.

"State" means the State of Arkansas.

"System" means the water and sewer system of the Issuer.

"Trustee" means Regions Bank, with offices in Little Rock, Arkansas.

KNOW ALL MEN BY THESE PRESENTS:

That the Issuer, for value received, hereby promises to pay, by check or draft, to the order of Arkansas Natural Resources Commission or registered assigns (collectively, the "Registered Owner"), at the principal office of the Trustee, the Principal Amount with interest thereon, at the Interest Rate per annum shown above, in such coin or currency from the Dated Date hereof, payable as provided in the Payment Schedule until payment in full of such Principal Amount or, if this Bond or a portion hereof shall be duly called for redemption, until the date fixed for redemption, and to pay interest on overdue principal and interest (to the extent allowed by law) at the rate borne by this Bond. Payments shall be first applied to accrued interest and the balance thereof shall be applied to principal. Payment shall be made to the person in whose name this Bond is registered on the registration books of the Issuer maintained by the Trustee at the close of business on the Record Date, irrespective of any transfer or exchange of this Bond, subsequent to the Record Date and prior to such Payment Date.

This Bond is issued for the purpose of financing and paying all or a portion of the costs of the construction of the Improvements, and paying necessary expenses incidental thereto and to the issuance of this Bond.

This Bond is issued pursuant to and in full compliance with provisions of the Constitution and laws of the State, including particularly the Acts, and pursuant to the Authorizing Ordinance, and does not constitute an indebtedness of the Issuer within any constitutional or statutory limitation.

This Bond is not a general obligation of the Issuer, but is a special obligation of the Issuer payable solely from receipts received from the operation of the System (the "Revenues"). This Bond is secured by a statutory mortgage lien upon the water facilities of the System and a pledge by the Issuer of the Revenues pursuant to the provisions of the Acts in favor of the Registered Owner of this Bond. In this regard, the security is subordinate as to lien, pledge and security to the lien, pledge and security in favor of the Prior Issues.

An amount of Revenues sufficient to pay the principal of and interest on this Bond has been duly pledged and set aside as a special fund for that purpose and will be deposited from time to time into the Bond Fund. Reference is hereby made to the Authorizing Ordinance for a detailed statement of the terms and conditions upon which this Bond is issued, of the terms and conditions for the issuance of additional bonds, of the nature and extent of the security for this Bond, and of the rights and obligations of the Issuer, the Trustee and the Registered Owner.

This Bond is subject to mandatory redemption at par from bond proceeds not used to pay the cost of the Improvements on the first Payment Date following the date of the Issuer's completion certificate. Notice of redemption identifying portions of this Bond to be redeemed shall be given by the Trustee, not less than 15 days prior to the date fixed for redemption, by mailing a copy of the redemption notice by first class mail, postage prepaid, to the Registered Owner. In the event of partial redemption, prepayments shall be applied in inverse order of maturity, the length of the Payment Schedule shall be reduced accordingly and the amount due on each Payment Date shall not be reduced.

The Issuer 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 this Bond, including Trustee's fees, if any, as the same become due and payable, to maintain any required debt service reserves and to make the required deposit for the depreciation of the System.

This Bond is transferable by the Registered Owner hereof only as provided in the Authorizing Ordinance. The Issuer and the Trustee may deem and treat the Registered Owner as the absolute owner hereof for the purpose of receiving payment of principal and interest due hereon and for all other purposes, and neither the Issuer nor the Trustee shall be affected by any notice to the contrary.

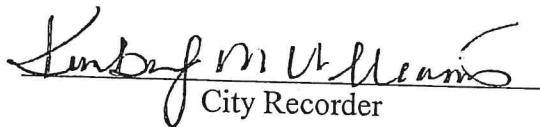
This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Authorizing Ordinance until it shall have been authenticated by execution of the Certificate of Authentication hereon duly signed by the Trustee. This Bond is issued with the intent that the laws of the State shall govern its construction.

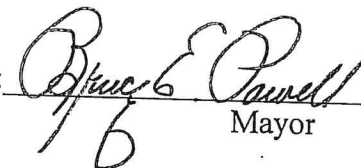
IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed under the Constitution and laws of the State, precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law; and that the Revenues have been pledged in accordance with the Acts sufficient to pay this Bond and interest hereon until this Bond and interest hereon have been fully paid and discharged.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed by the undersigned Authorized Officers and its corporate seal to be affixed hereto, all as of the Dated Date shown above.

CITY OF BULL SHOALS, ARKANSAS

ATTEST:


City Recorder

By: 
Mayor

(SEAL)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is issued under the provisions of the within mentioned Authorizing Ordinance.

REGIONS BANK
Little Rock, Arkansas
TRUSTEE

By: _____
Authorized Signature

(A Form of Assignment shall be attached to the Bond.)

Section 6. Principal of and interest on the Bond shall be payable according to the Payment Schedule.

Section 7. (a) The rates charged for services of the System heretofore fixed by ordinances of the City and the conditions, rights and obligations pertaining thereto, as set out in those ordinances, are ratified, confirmed and continued.

(b) The Issuer hereby expressly pledges to the Trustee all of the receipts received from the operation of the System (the "Revenues") to secure the payment of the principal of and interest on the Bond when due at maturity or at redemption prior to maturity, the payment of the fees and charges of the Trustee, and as security for the performance of all other obligations of the Issuer hereunder; and the Bond is hereby secured by the lien of such pledge; and the Revenues shall be used for no other purpose than to pay the principal of and interest on the Bond and Trustee's fees, except as otherwise specifically provided herein. The Bond and interest thereon shall not constitute an indebtedness of the Issuer within any constitutional or statutory limitation. The Bond is not a general obligation of the Issuer but is a special obligation of the Issuer payable solely from Revenues. Nothing herein shall be construed as requiring the Issuer to use any funds or revenues from any sources other than the Revenues for the payment of the Bond, but nothing herein shall be construed as prohibiting the Issuer from doing so. The Bond is hereby further secured by a statutory mortgage lien upon the water facilities of the System which exists pursuant to the provisions of the Acts in favor of the Registered Owner of the Bond, and the water facilities of the System are hereby mortgaged to the Trustee as security for the payment of the principal and interest on the Bond and as security for the performance of all other obligations of the Issuer hereunder.

(c) The Issuer, and the officers and employees of the Issuer, shall execute, perform and carry out the terms of this pledge in strict conformity with the provisions of this Ordinance.

(d) The lien, pledge and security in favor of the Bond are subordinate to the lien, pledge and security in favor of the Prior Issues.

Section 8. All Revenues shall be paid as and when received into the Revenue Fund. All moneys at any time in the Revenue Fund shall be applied to the payment of the reasonable and necessary expenses of operation and maintenance of the System, to the payment of the principal of and interest on the Bond, the Prior Issues and bonds subsequently issued secured by Revenues (collectively, "System Bonds"), to the maintenance of any required debt service reserves at the required levels, to the maintenance of the Depreciation Fund in the required amount, to the payment of the Trustee's fees and otherwise as described herein.

Section 9. (a) The Bond Fund is hereby established and created as a trust fund with the Trustee. Moneys in the Bond Fund shall be used in the following order of priority as and when necessary solely for the following purposes:

- (1) to pay the Trustee's fees and expenses; and
- (2) to pay principal and interest on the Bond.

(b) After making the required monthly deposit into the Operation and Maintenance Fund to pay the reasonable and necessary expenses of operation, repair and maintenance of the System for such month and after making the monthly transfers with respect to the Prior Issues, there shall be paid from the Revenue Fund into the Bond Fund, beginning on the first business day of the month immediately following the month in which the Bond is delivered, and continuing on or before the first business day of each month thereafter until the

Bond with interest thereon have been paid in full, or provision made for such payment, a sum equal to (i) 1/6 of the installment of principal and interest coming due during the then next six months on the Bond and (ii) an amount sufficient to provide for Trustee's fees; provided however, that deposits into the Bond Fund through November 2012 shall be adjusted as necessary so that approximately level payments are made during that period in order to make the first payment of interest. Credit shall be given on the monthly payments into the Bond Fund for any amounts of investment earnings thereon.

(c) If the Revenues are insufficient to make the required payment on the first business day of the month into the Bond Fund, the amount of any such deficiency in the payment made shall be added to the amount otherwise required to be paid into the Bond Fund on the first business day of the next month.

(d) When the moneys held in the Bond Fund shall be and remain sufficient to pay the outstanding principal of and interest on the Bond and Trustee's fees in connection therewith, there shall be no obligation to make further payments into the Bond Fund.

(e) If a surplus shall exist in the Bond Fund over and above the amount required for making all principal and interest payments during the succeeding twelve months on the Bond, with Trustee's fees, such surplus may be applied to the payment of the principal of the Bond to the extent that it may be called for redemption prior to maturity. All moneys deposited in the Bond Fund shall be expended within a thirteen month period beginning on the date of deposit, and any amount received from investment of moneys held in the Bond Fund shall be expended within one year from the date of receipt and in any event all money in the Bond Fund in excess of a carryover amount not to exceed the greater of (A) one year's earnings on the Bond Fund, or (B) 1/12 of the annual debt service on the Bond, shall be depleted at least once a year as provided in this Section or by transfer to the Revenue Fund.

(f) In addition to other security pledged herein, the Bond shall be specifically secured by a pledge of all moneys and Revenues required to be placed into the Bond Fund. The pledge in favor of the Bond is hereby irrevocably made according to the terms hereof, and the Issuer and its officers and employees shall execute, perform and carry out the terms thereof in strict conformity with the provisions hereof.

(g) When the Bond shall have been paid in full within the meaning hereof, the Trustee shall take all appropriate action to cause (i) the pledge and lien hereof to be discharged and canceled, and (ii) all moneys held by it pursuant hereto and which are not required for the payment of the Bond and Trustee's fees to be paid over or delivered to or at the direction of the Issuer.

Section 10. After making the required payment into the Operation and Maintenance Fund, after making the monthly transfers with respect to the Prior Issues and after making the required payment into the Bond Fund, there shall be paid from the Revenue Fund into the Depreciation Fund the amounts required by the ordinances or agreements authorizing the Prior Issues. In no event, however, shall the City deposit less than 3% of monthly gross Revenues into the Depreciation Fund.

Section 11. Any surplus in the Revenue Fund after making all disbursements for the operation and maintenance of the System and providing for all funds described above may be used, at the option of the Issuer, for any lawful governmental purpose authorized by the Issuer.

Section 12. (a) When the Bond has been executed and sealed by the Authorized Officers, it shall be delivered to the Trustee, which shall authenticate it and deliver it to the Commission upon payment of the Purchase Price which shall be deposited in the Construction Fund to be established with the Trustee. There shall be paid from the Construction Fund (i) the Trustee's fee to the Trustee and (ii) a servicing fee in the amount of \$9,000 to the Commission.

(b) The moneys in the Construction Fund shall be used for accomplishing the Improvements, paying expenses incidental thereto and paying expenses of issuing the Bond, with any unexpended balance to be deposited in the Bond Fund. Except as set forth in subsection (a), disbursements shall be made from the Construction Fund on the basis of consecutively numbered written requisitions which shall specify: the name of the person, firm or corporation to whom payment is to be made; the amount of the payment; the purpose of the payment; and that the payment is a proper charge on the Construction Fund. If any such payment is a reimbursement to the Issuer for funds expended prior to the Date of Issue, the Issuer shall certify that it has complied with the United States Treasury Regulation No. 1.150-2. Each requisition must be signed by an agent of the Commission and an Authorized Officer, and the check drawn upon the Construction Fund shall be payable to the person, firm or corporation designated in the requisition. The Trustee shall be required to keep records of all requisitions reflecting all payments made from the Construction Fund.

(c) When the Improvements have been completed and all required expenses paid and expenditures made from the Construction Fund for and in connection with the accomplishment of the Improvements and the financing thereof, this fact shall be evidenced by a certificate signed by an Authorized Officer, which certificate shall state, among other things, the date of completion and that all obligations payable from the Construction Fund have been discharged (the "Completion Certificate"). A copy of the Completion Certificate shall be filed with the Trustee and upon receipt thereof the Trustee shall transfer any remaining balance to the Bond Fund.

Section 13. (a) Moneys held for the credit of the funds identified herein shall be invested and reinvested pursuant to the direction of the Issuer, and, in the case of the Bond Fund and the Construction Fund, in the Trustee's discretion in the absence of any direct instructions from the Issuer, in (i) Government Securities (which for purposes hereof are hereby defined to mean direct or fully guaranteed obligations of the United States of America), (ii) direct obligations of an agency, instrumentality or government-sponsored enterprise created by an act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government, (iii) certificates of deposit of banks, including the Trustee, which are insured by the Federal Deposit Insurance Corporation ("FDIC"), or, if in excess of insurance coverage, are collateralized by Government Securities or other securities authorized by State law to secure public funds (collectively, "Collateral Securities"), or (iv) other investments as may, from time to time, be permitted by law and approved by the Registered Owner, which

shall mature, or which investments shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when such money will be required for the purposes intended.

(b) Obligations so purchased as an investment of moneys in any fund shall be deemed at all times to be a part of such fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund.

(c) Moneys so invested in Government Securities or certificates of deposit of banks to the extent insured by FDIC need not be secured by the depository bank or banks. Except as set forth in the preceding sentence, all deposits of Revenues shall be collateralized by the pledge of Collateral Securities in such a manner as to be perfected against the claims of innocent creditors under the Financial Institution Reform, Recovery and Enforcement Act of 1989 and the Arkansas Uniform Commercial Code.

(d) In determining the value of the Bond Fund, the Trustee shall credit investments at the market value thereof, as determined by the Trustee by any method selected by the Trustee in its reasonable discretion. No less frequently than annually, and in any event on December 31 each year, the Trustee shall determine the value of each such fund and shall report such determination to the Issuer and the Registered Owner. The Trustee shall sell or present for redemption any investments as necessary to provide money for the purpose of making any payment required hereunder. To the extent that any loss or reduction in value reduces the value of any such fund to a level lower than the level required hereunder, such loss or reduction shall be made up in each fund in the priority established herein for payments from the Revenue Fund. The Trustee shall not be liable for any loss resulting from any such sale.

Section 14. (a) The Bond shall be subject to redemption prior to maturity in accordance with the terms set out in the bond form herein. The Issuer hereby covenants to use moneys in the Construction Fund not necessary to pay the cost of the Improvements to redeem the Bond at par on the first Payment Date following the date of the Completion Certificate.

(b) The Bond shall be deemed paid when (1) there has been deposited with the Trustee an amount sufficient to pay the principal or redemption price of and interest on the Bond to the Maturity Date or redemption, plus all fees of the Trustee, or (2) there has been deposited with the Trustee, Government Securities that mature according to their terms and are non-callable or redeemable at the option of the holder thereof on or prior to the Maturity Date or redemption of the Bond and the principal or redemption price of and interest on which, together with any moneys on deposit with the Trustee, will provide an amount sufficient to pay in full the principal or redemption price of and interest on the Bond when due plus the fees of the Trustee; provided that such deposit will not affect the tax exempt status of the interest on the Bond or cause the Bond to be classified as an arbitrage bond within the meaning of Section 148 of the Code, and provided further, that if the Bond is to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given as provided in the Bond Form. If the Bond is called for redemption and funds are duly provided in accordance with this Ordinance prior to

the date fixed for redemption, the Bond will cease to bear interest on such redemption date. Prepayment of less than all outstanding principal shall be applied in inverse order of maturity.

(c) In determining the sufficiency of the deposit there shall be considered the principal amount of such Government Securities and interest to be earned thereon until the maturity of such Government Securities.

(d) On the payment in full of the Bond within the meaning hereof, the Trustee shall hold in trust, for the benefit of the Registered Owner, all such moneys and/or Government Securities.

(e) The Bond paid either at or before maturity shall be cancelled and shall not be reissued.

Section 15. So long as the Bond is outstanding, it is hereby covenanted and agreed by the Issuer with the Registered Owner that:

(a) The Issuer covenants and agrees that the rates charged for services of the System hereby fixed and established are not less than the minimum necessary to produce and will hereafter produce, and shall be maintained in amounts necessary to produce, total Revenues at all times at least sufficient to: pay operation and maintenance expenses of the System; pay the principal of and interest on outstanding System Bonds as the same become due; maintain any required debt service reserves in the required amounts; pay the Trustee's fees; and make the required deposits into the Depreciation Fund. The Issuer further covenants that the rates shall never be reduced while the Bond is outstanding unless (1) there is obtained from an Accountant a certificate that the net revenues of the System that will be derived from the proposed new rates, based upon the previous twelve months of consumption, will be sufficient in amount for making the required deposit into the Depreciation Fund, and for maintenance of any required debt service reserves in the required amounts, and leave a balance equal to at least 120% of the average annual principal and interest requirements on all outstanding System Bonds and (2) the Issuer is not in default hereunder. The Issuer further covenants and agrees that the rates shall be maintained in such manner as will provide net revenues at least sufficient to provide the required deposits into the Depreciation Fund, and to leave a balance amount equal to not less than 120% of the average annual principal and interest requirements for all System Bonds outstanding. The term "net revenues" as used in this Section, means all Revenues, less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System determined in accordance with generally accepted accounting principles applicable to government owned facilities similar to the System, excluding depreciation and debt service expenses.

(b) The Issuer covenants and agrees that it will diligently collect the Revenues and continuously operate the System as a revenue producing undertaking.

(c) The Issuer covenants that so long as the Bond is outstanding, that it will not mortgage, pledge or otherwise encumber the System, or any part thereof or any Revenues, except as herein provided, and will not sell, lease or otherwise dispose of any substantial portion

of the same. Nothing herein shall be construed to prohibit the Issuer from disposing of worn out or obsolete System properties or from disposing of properties not being used and not useful in the operation of the System, provided that all receipts derived from the disposition of such properties shall be deposited in the Revenue Fund.

(d) The Issuer covenants and agrees that it will duly observe and comply with all valid requirements of any governmental authority relative to the System, that it will not create or suffer to be created any lien or charge upon the System or any part thereof or upon the Revenues, except in accordance with the provision hereof, and that, from such Revenues, it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within 60 days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the System or any part thereof or upon the Revenues therefrom; provided, however that nothing in this Section contained shall require the Issuer to pay or cause to be discharged, or make provision for, any such lien or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

(e) To the extent comparable protection is not otherwise provided to the satisfaction of the Registered Owner, the Issuer covenants and agrees that it will keep the System facilities insured against loss or damage, and maintain public liability and property damage insurance against claims for bodily injury or death and damage to property occurring upon, in or about the System facilities, in each case in an amount and against such risks as are usually insured against in connection with similar facilities and undertakings as the System. The Issuer further covenants, to the extent comparable protection is not otherwise provided to the satisfaction of the Registered Owner, that it will maintain adequate fidelity insurance or bonds on all officers or employees responsible for handling funds of the System. All insurance required by this subsection shall be effected with reputable insurance companies selected by the Issuer, which usually insure risks similar in nature and monetary exposure. Policies of insurance provided for herein shall name the Trustee as a beneficiary to the extent of its interest hereunder. Copies of certificates of the insurance provided for herein, or summaries thereof, shall be placed on file with the Trustee.

(f) The Issuer covenants and agrees that it will not issue any bond, or incur any obligation, either (i) secured by a prior lien on or pledge of the Revenues or (ii) on a parity of security with the Bond, except the Issuer reserves the right to issue additional bonds to finance or pay the cost of constructing any future extensions, betterments or improvements to the System or to refund System Bonds, but the Issuer shall not authorize or issue any such additional bonds ranking on a parity with the Bond unless and until there has been procured and filed with the Issuer and the Trustee a statement by an Accountant stating, based upon necessary investigation, that the net revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 120% of the maximum annual principal and interest requirements on all the then outstanding System Bonds and the additional bonds then proposed to be issued. For the purposes of the computation required by this Section, if, prior to the issuance of the additional bonds and subsequent to the first day of such preceding fiscal year, the Issuer shall have increased its rates or charges imposed for services of the System, there may be added to the net revenues of such fiscal year

the additional net revenues which would have been received from the operation of the System during such fiscal year had such increase been in effect throughout such fiscal year, as reflected by a certificate of a duly qualified consulting engineer not in the regular employ of the Issuer.

(g) The Issuer covenants and agrees that it will faithfully and punctually perform all duties with reference to the Revenues and the Bond, and apply the Revenues as required herein and by the Constitution and laws of the State.

(h) The Issuer covenants and agrees that it will forthwith proceed to construct the Improvements for which the Bond shall be issued in conformity with law and all requirements of all governmental authorities having jurisdiction thereover, and that it will expeditiously complete such construction.

Section 16. The Issuer shall cause proper books of accounts and records to be kept (separate from all other accounts and records) in which complete and correct entries shall be made of all transactions relating to the operation of the System, and such books shall be available for inspection by the Registered Owner at reasonable times and under reasonable circumstances. The Issuer agrees to provide the Trustee and Registered Owner with management reports and quarterly financial statements in accordance with the Agreement plus an annual financial statement for the System no later than 60 days after the end of the year. In addition, the Issuer agrees to have the System records audited by an Accountant at least once each year, and a copy of the audit shall be delivered to the Trustee and the Registered Owner no later than 120 days after the end of the year. In the event the Issuer fails or refuses to make the report, the Trustee or the Registered Owner may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

Section 17. All Revenues received by the City Treasurer or any agent of the Issuer shall be deposited in such depository or depositories for the Issuer as may be lawfully designated by Issuer from time to time; subject, however, to the giving of security as now or as hereafter may be required by law, and provided that such depositories are members of FDIC. The officer having custody of the Issuer's other funds shall be custodian of the Revenues. Payments from the respective funds shall be made by checks or vouchers, signed by the person or persons designated by the City Council, and drawn on the depository. Each such check or voucher shall briefly specify the purpose of the expenditure.

Section 18. (a) If there be any default in the payment of the principal of and interest on the Bond, or if the Issuer defaults in the performance of any covenant contained herein, the Trustee or the Registered Owner may, by proper suit compel the performance of the duties of the officials of the Issuer hereunder and under the Constitution and laws of the State, and may take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State, including any action for the appointment of a receiver to administer the System on behalf of the Issuer and the Registered Owner with power to charge and collect (or by mandatory injunction or otherwise to cause to be charged and collected) rates sufficient to provide for the payment of the expenses of operation, maintenance and repair of the System and to pay the Bond and interest outstanding and to apply the Revenues in conformity herewith and with the laws of

the State. When all defaults in principal and interest payments have been cured, the custody and operation of the System shall revert to the Issuer.

(b) No remedy herein conferred upon or reserved to the Trustee or to the Registered Owner is intended to be exclusive of any other remedy or remedies herein provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or given by any law or by the Constitution of the State.

(c) No delay or omission of the Trustee or the Registered Owner to exercise any right or power accrued upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given hereby to the Trustee and the Registered Owner, respectively, may be exercised from time to time and as often as may be deemed expedient.

(d) The Trustee may, and upon the written request of the Registered Owner shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted under the provisions hereof or before the completion of the enforcement of any other remedy, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

(e) Any costs of enforcement of the obligations of the Issuer hereunder, including reasonable attorney's fees, shall be paid by the Issuer and shall constitute obligations of the Issuer hereunder.

Section 19. The Trustee shall be responsible for the exercise of good faith and ordinary prudence in the execution of its respective trusts. The recitals herein and in the Bond are the recitals of the Issuer and not of the Trustee. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the Registered Owner and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by 30 days' notice in writing to the Authorized Officers and the Registered Owner, and the Registered Owner at any time, with or without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, the Registered Owner may appoint a new Trustee, such appointment to be evidenced by a written instrument or instruments filed with the Authorized Officers. If the Registered Owner shall fail to fill a vacancy after the same shall occur, then the Issuer shall forthwith designate a new Trustee by a written instrument filed in the office of the Issuer. The Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts imposed upon it hereby, but only upon the terms and conditions set forth herein and subject to the provisions hereof, to all of which the Registered Owner, by accepting delivery of the Bond, agrees. Such written acceptance shall be filed with the Authorized Officers. Any successor Trustee shall have all the powers herein granted to the original Trustee.

Section 20. The terms hereof shall constitute a contract between the Issuer and the Registered Owner and no variation or change in the undertaking herein set forth shall be made while the Bond is outstanding without the written consent of the Registered Owner and the Registered Owner may at any time for and on his own behalf enforce the obligations of the Issuer by a proper suit for that purpose.

Section 21. (a) The Issuer covenants with the Registered Owner, who otherwise might qualify by law to treat interest on the Bond as tax-exempt, that it shall not take any action or suffer or permit any action to be taken or condition to exist which causes or may cause the interest payable on the Bond to be subject to federal income taxation pursuant to existing laws at the time of issuance; and it shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest payable on the Bond shall be exempt from federal income taxation pursuant to existing laws at the time of issuance. Without limiting the generality of the foregoing, the Issuer covenants that the proceeds of the sale of the Bond will not be used directly or indirectly in such manner as to cause the Bond to be treated as an "arbitrage bond" within the meaning of Section 148 of the Code.

(b) The Issuer represents and covenants that it has not used or permitted the use of, and covenants that it will not use or permit the use of the Improvements or the proceeds of the Bond, in such a manner as to cause the Bond to be a "private activity bond" within the meaning of Section 141 of the Code. In this regard, the Issuer covenants that (i) it will not use (directly or indirectly) the proceeds of the Bond to make or finance loans to any person, (ii) that while the Bond is outstanding the water facilities of the System will only be used by State or local governmental units and by persons on a basis as members of the general public and (iii) that charges for use of the System while the Bond is outstanding will be based upon rates for usage only.

(c) The Issuer represents and covenants that it will take no action which would cause the Bond to be "federally guaranteed" within the meaning of Section 149(b) of the Code. Nothing in this Section prohibits investments in bonds issued by the United States Treasury.

(d) The Issuer certifies that (i) it is a governmental unit of the State, (ii) 95% of the net proceeds of the sale of the Bond will be used for governmental activities of the Issuer within its jurisdiction and (iii) it and its subordinate entities, if any, will not have issued and will not issue tax-exempt obligations (other than private activity bonds) having an aggregate face amount in excess of \$5,000,000 during the year in which the Bond is issued.

(e) The Issuer agrees to make all filings with the Internal Revenue Service (specifically including Form 8038G) that are required from time to time to assure that the Bond is and will remain an obligation on which the interest is excludable from gross income of the holder under Section 103(a) of the Code.

(f) Neither the Issuer nor any related person (as defined in Section 147(a)(2) of the Code) shall acquire the Bond or the general obligation bond issued by the Registered Owner in order to provide loans to finance the Improvements.

(g) This Ordinance shall be considered an "official intent" within the meaning of United States Treasury Regulation No. 1.150-2.

(h) The City will retain all documents and records pertaining to the Bond and the Improvements for the life of the Bond plus an additional three years.

Section 22. The Mayor is hereby authorized and directed to work with Friday, Eldredge & Clark, LLP, as bond counsel, to develop, adopt and implement written procedures to monitor compliance with federal tax requirements with respect to tax-exempt obligations of the Issuer. The Mayor is further authorized to appoint a Responsible Person who will have primary responsibility for monitoring post-issuance tax compliance.

Section 23. Pursuant to Ordinance No. 2009-12, adopted November 19, 2009, this Ordinance, following its adoption, will be posted in the following public places in the City: Harp's Food Store, First Security Bank, Arvest Bank, City Hall and Meeting Place.

Section 24. The provisions hereof are hereby declared to be separable and if any provision shall for any reason be held illegal or invalid, such holding shall not affect the validity of the remainder hereof.

Section 25. All actions, ordinances and resolutions or parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

ADOPTED THIS DATE: May 7, 2012.

APPROVED:

ATTEST:

Kimberly M. Williams
City Recorder

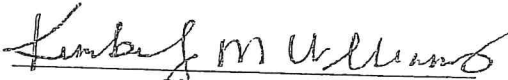
By: Bruce E. Powell
Mayor

(SEAL)

CERTIFICATE

The undersigned, City Recorder of the City of Bull Shoals, Arkansas hereby certifies that the foregoing pages are a true and perfect copy of Ordinance No. 2012-04, adopted at a special session of the City Council of the City of Bull Shoals, Arkansas, held at the regular meeting place in said City at 6:00 o'clock p.m., on the 7th day of May, 2012, and that the Ordinance is of record in the Ordinance Record Book now in my possession.

GIVEN under my hand and seal on this 7th day of May, 2012.


City Recorder

(SEAL)

AFFIDAVIT

STATE OF ARKANSAS

COUNTY OF MARION

That I, Kimberly Williams, as the qualified and acting City Recorder within and for the City of Bull Shoals, Arkansas, do hereby certify that there is no newspaper published within the corporate limits of the City.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the City this 8th day of June, 2012.

Kimberly Williams
City Recorder

(SEAL)

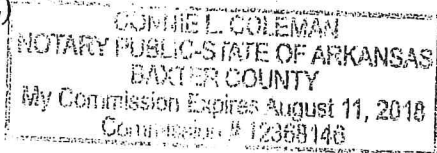
Subscribed and sworn to before me on this 8th day of June, 2012.

Connie L Coleman
Notary Public

My Commission Expires:

8-11-2018

(SEAL)



PROOF OF POSTING OF ORDINANCE

STATE OF ARKANSAS

COUNTY OF MARION

We, Bruce Powell and Kimberly Williams, do solemnly swear that as Mayor and City Recorder, respectively, of and for the City of Bull Shoals, Marion County, Arkansas, that a certified copy of Ordinance No. 2012-04 (the "Bond Ordinance") was, on the 8th day of May, 2012, duly posted in five separate and distinct places inside the corporate limits of the City and that the Bond Ordinance has remained posted for thirty (30) days.

DATED this 8th day of June, 2012.

Bruce E. Powell
Mayor

Kimberly M. Williams
City Recorder

(SEAL)

Subscribed and sworn to before me on this 8th day of June, 2012.

Connie L. Coleman
Notary Public

My Commission Expires:

8-11-2018

(SEAL)

