

ORDINANCE NO. 2017-1

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

WHEREAS, the City of Lockesburg, Arkansas (the "City") owns and operates water and sewer facilities, which water and sewer facilities are operated as one interrelated municipal undertaking (the "System"); and

WHEREAS, the City Council has determined that betterments and improvements to the sewer facilities of the System (the "Improvements") are necessary in order to make the services of the System adequate for the needs of the City; and

WHEREAS, a preliminary report, general plans and estimates of cost for the Improvements have been examined and approved by the City Council and a copy of such general plans are on file at the offices of the City where they may be inspected by any interested person; and

WHEREAS, in order to finance a portion of the costs of the Improvements, including bond issuance costs, the City is making arrangements for the sale of a \$300,000 principal amount bond (the "Series 2017A Bond") to the Arkansas Development Finance Authority, as purchaser (the "Bondholder"), at a price of par for a bond bearing interest at the rate of 1.50% per annum pursuant to a Series 2017A Bond Purchase Agreement (the "2017A Agreement") among the City, the Bondholder and the Arkansas Natural Resources Commission (the "Commission"), which has been presented to and is before this meeting; and

WHEREAS, in order to finance a portion of the costs of the Improvements, including bond issuance costs, the City is making arrangements for the sale of a \$350,000 principal amount bond (the "Series 2017B Bond") to the Bondholder, as purchaser, at a price of par for a bond bearing interest at the rate of 1.50% per annum pursuant to a Series 2017B Bond Purchase Agreement (the "2017B Agreement") among the City, the Bondholder and the Commission, which has been presented to and is before this meeting; and

WHEREAS, the City has outstanding its Water and Sewer Revenue Bonds, Series 2014A and Series 2014B (collectively, the "2014 Bonds"), authorized by Ordinance No. 2014-7, adopted October 14, 2014 (the "2014 Ordinance") and its Water and Sewer Revenue Bond dated April 9, 2015 (the "2015 Bond"), authorized by Ordinance No. 2014-4, adopted March 11, 2014 (the "2015 Ordinance"); and

WHEREAS, the City is authorized, under the provisions of Amendment No. 65 to the Arkansas Constitution, Title 14, Chapter 234, Subchapter 2 of the Arkansas Code of 1987 Annotated (the "Code"), Title 14, Chapter 235, Subchapter 2 of the Code, and Title 14, Chapter 164, Subchapter 4 of the Code (collectively, the "Authorizing Legislation"), to issue and sell the Series 2017A Bond and the Series 2017B Bond (collectively, the "bonds"); and

WHEREAS, the Bondholder intends to pledge the Series 2017A Bond as collateral for the payment of its revolving loan fund revenue bonds (the "ADFA Bonds"), which may be issued from time to time, to the bank or trust company to be named as trustee for the ADFA Bonds (the "ADFA Trustee"); and

WHEREAS, the City is required to pay to the Arkansas Development Finance Authority, as servicer (the "Authority"), a servicing fee equal to 1% per annum of the outstanding principal amount of the bonds (the "Servicing Fee");

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

Section 1. The Improvements shall be accomplished and shall be a part of the System. The Mayor and City Recorder are hereby authorized to take, or cause to be taken, all action necessary to accomplish the Improvements and to execute all required contracts.

Section 2. The sale to the Bondholder of up to \$650,000 in principal amount of bonds, consisting of a \$300,000 Series 2017A Bond and a \$350,000 Series 2017B Bond, from the City at a price of par for bonds bearing interest at the rate of 1.50% per annum and otherwise subject to the terms and provisions hereafter in this Ordinance set forth in detail is hereby approved and the bonds are hereby sold to the Bondholder. The Mayor is hereby authorized and directed to execute and deliver the 2017A Agreement and the 2017B Agreement (collectively, the "Agreement") on behalf of the City and to take all action required on the part of the City to fulfill its obligations under the Agreement. The Agreement is hereby approved in substantially the form submitted to this meeting with such changes as may be approved by the Mayor, his execution to constitute complete evidence of such approval.

Section 3. The City Council hereby finds and declares that the period of usefulness of the System after completion of the Improvements will be more than 25 years, which is longer than the term of the bonds.

Section 4. Under the authority of the Constitution and laws of the State of Arkansas (the "State"), including particularly the Authorizing Legislation and applicable decisions of the Supreme Court of the State, including particularly City of Harrison v. Braswell, 209 Ark. 1094, 194 S.W.2d 12 (1946), a City of Lockesburg, Arkansas Water and Sewer Revenue Bond, Series 2017A in the principal amount of \$300,000 and a City of Lockesburg, Arkansas Water and Sewer Revenue Bond, Series 2017B in the principal amount of \$350,000 are hereby authorized and ordered issued, the proceeds of the sale of which will be used to finance all or a portion of the costs of the Improvements, pay expenses incidental thereto and pay expenses of issuing the bonds.

The bonds shall bear interest at the rate of 1.50% per annum based upon a 360-day year of twelve consecutive 30-day months. The bonds shall be dated the date of delivery to the Bondholder. Interest shall be payable on each April 15 and October 15 after the bonds are issued. Principal shall be payable in installments on April 15, 2020 and each April 15 and October 15 thereafter until the unpaid principal is paid in full as follows:

SERIES 2017A BOND

| <u>Date</u> | <u>Amount</u> | <u>Date</u> | <u>Amount</u> |
|-------------|---------------|-------------|---------------|
| 04/15/20    | \$5,826       | 04/15/30    | \$7,469       |
| 10/15/20    | 5,899         | 10/15/30    | 7,563         |
| 04/15/21    | 5,973         | 04/15/31    | 7,657         |
| 10/15/21    | 6,047         | 10/15/31    | 7,753         |
| 04/15/22    | 6,123         | 04/15/32    | 7,849         |
| 10/15/22    | 6,199         | 10/15/32    | 7,948         |
| 04/15/23    | 6,277         | 04/15/33    | 8,047         |
| 10/15/23    | 6,356         | 10/15/33    | 8,148         |
| 04/15/24    | 6,434         | 04/15/34    | 8,249         |
| 10/15/24    | 6,516         | 10/15/34    | 8,353         |
| 04/15/25    | 6,596         | 04/15/35    | 8,457         |
| 10/15/25    | 6,679         | 10/15/35    | 8,563         |
| 04/15/26    | 6,763         | 04/15/36    | 8,670         |
| 10/15/26    | 6,847         | 10/15/36    | 8,778         |
| 04/15/27    | 6,933         | 04/15/37    | 8,888         |
| 10/15/27    | 7,019         | 10/15/37    | 8,999         |
| 04/15/28    | 7,107         | 04/15/38    | 9,111         |
| 10/15/28    | 7,196         | 10/15/38    | 9,226         |
| 04/15/29    | 7,286         | 04/15/39    | 9,341         |
| 10/15/29    | 7,377         | 10/15/39    | 9,478         |

SERIES 2017B BOND

| <u>Date</u> | <u>Amount</u> | <u>Date</u> | <u>Amount</u> |
|-------------|---------------|-------------|---------------|
| 04/15/20    | \$6,797       | 04/15/30    | \$ 8,714      |
| 10/15/20    | 6,882         | 10/15/30    | 8,823         |
| 04/15/21    | 6,968         | 04/15/31    | 8,933         |
| 10/15/21    | 7,055         | 10/15/31    | 9,045         |
| 04/15/22    | 7,144         | 04/15/32    | 9,158         |
| 10/15/22    | 7,232         | 10/15/32    | 9,272         |
| 04/15/23    | 7,323         | 04/15/33    | 9,389         |
| 10/15/23    | 7,415         | 10/15/33    | 9,505         |
| 04/15/24    | 7,507         | 04/15/34    | 9,625         |
| 10/15/24    | 7,601         | 10/15/34    | 9,745         |
| 04/15/25    | 7,696         | 04/15/35    | 9,867         |
| 10/15/25    | 7,792         | 10/15/35    | 9,990         |
| 04/15/26    | 7,890         | 04/15/36    | 10,115        |
| 10/15/26    | 7,989         | 10/15/36    | 10,242        |
| 04/15/27    | 8,088         | 04/15/37    | 10,369        |
| 10/15/27    | 8,189         | 10/15/37    | 10,499        |
| 04/15/28    | 8,292         | 04/15/38    | 10,630        |
| 10/15/28    | 8,395         | 10/15/38    | 10,763        |
| 04/15/29    | 8,500         | 04/15/39    | 10,897        |
| 10/15/29    | 8,607         | 10/15/39    | 11,057        |

The bonds will be registered as to both principal and interest, payable to the Bondholder, or registered assigns, as set forth hereinafter in the bond form, and shall be numbered RA-1 and RB-1, as appropriate.

Payment of principal and interest shall be by check or draft mailed to the Bondholder at its address shown on the bond registration books of the City which shall be maintained by the City Recorder as Bond Registrar, without presentation or surrender of the bond (except upon final payment) and such payments shall discharge the obligation of the City to the extent thereof. The City Recorder shall keep a payment record and make proper notations thereon of all payments of principal and interest.

Payment of principal and interest shall be in any coin or currency of the United States of America which, as at the time of payment, shall be legal tender for the payment of debts due the United States of America. When the principal of and interest on a bond have been fully paid, it shall be canceled and delivered to the City Recorder.

Section 5. The bonds shall be executed on behalf of the City by the Mayor and City Recorder and shall have impressed thereon the seal of the City. The bonds are not general obligations of the City but are special obligations, the principal of and interest on which, and Servicing Fee in connection therewith, are secured by a pledge of and are payable from revenues derived from the System ("Revenues"). The pledge of Revenues in favor of the bonds shall be subordinate to the pledge in favor of the 2014 Bonds and the 2015 Bond (collectively,

the "Prior Bonds"). The bonds and interest thereon shall not constitute an indebtedness of the City within any constitutional or statutory limitation.

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

(form of single registered bond)  
(To be typewritten)

UNITED STATES OF AMERICA  
STATE OF ARKANSAS  
COUNTY OF SEVIER  
CITY OF LOCKESBURG  
1.50% WATER AND SEWER REVENUE BOND, SERIES 2017 \_\_\_\_

No. R \_\_\_\_-1

[\$300,000] [\$350,000]

KNOW ALL MEN BY THESE PRESENTS:

That the City of Lockesburg, Sevier County, Arkansas (the "City"), for value received, hereby acknowledges itself to owe and promises to pay to the Arkansas Development Finance Authority, or registered assigns, solely from the special fund provided as hereinafter set forth, the principal sum of

[THREE HUNDRED THOUSAND DOLLARS]  
[THREE HUNDRED FIFTY THOUSAND DOLLARS]  
(or the total principal amount outstanding as reflected  
by the Record of Payment of Advances attached hereto)

with interest on the unpaid balance of the total principal amount at the rate of 1.50% per annum from the date of each advance. The principal and interest shall be payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America.

Interest on the unpaid balance of the total principal amount shall be payable on \_\_\_\_\_ 15, 201\_\_\_\_\_ (the next April 15 or October 15 after the bond is issued) and on each April 15 and October 15 thereafter. Principal shall be payable in installments on April 15, 2020 and on each April 15 and October 15 thereafter until the unpaid principal is paid as follows:

Date Amount

(There will be inserted the schedule  
set forth in Section 4 of this Ordinance.)

Payments of the principal and interest installments due hereon shall be made, except for final payment, without presentation and surrender of this bond, directly to the registered owner at his address shown on the bond registration book of the City maintained by the City Recorder as Bond Registrar, and such payments shall fully discharge the obligation of the City to the extent of the payments so made.

This bond is issued for the purpose of providing financing of a portion of the costs of constructing betterments and improvements to the sewer facilities of the water and sewer system of the City (the "System") and costs of authorizing and issuing this bond, and is issued pursuant to and in full compliance with the Constitution and laws of the State of Arkansas (the "State"), including particularly Title 14, Chapter 234, Subchapter 2, Title 14, Chapter 164, Subchapter 4 and Title 14, Chapter 235, Subchapter 2 of the Arkansas Code of 1987 Annotated and applicable decisions of the Supreme Court of Arkansas, including particularly City of Harrison v. Braswell, 209 Ark. 1094, 194 S.W.2d 12 (1946), and pursuant to Ordinance No. \_\_\_\_\_ of the City, duly adopted and approved on the \_\_\_\_\_ day of \_\_\_\_\_, 2017 (the "Authorizing Ordinance"). Reference is hereby made to the Authorizing Ordinance for the details of the nature and extent of the security and of the rights and obligations of the City and the registered owner of this bond.

[Series 2017A - This bond may be assigned with the written approval of the Arkansas Natural Resources Commission (the "Commission"), and in order to effect such assignment the assignor shall promptly notify the City Recorder by registered mail, and the assignee shall surrender this bond along with a written approval of the Commission to the City Recorder for transfer on the registration records. Every assignee shall take this bond subject to all payments and prepayments of principal and interest (as reflected by the Payment Record maintained by the City Recorder), prior to such surrender for transfer.] [Series 2017B - This bond may be assigned to the Arkansas Natural Resources Commission (the "Commission"), and in order to effect such assignment the assignor shall promptly notify the City Recorder by registered mail, and the Commission shall surrender this bond to the City Recorder for transfer on the registration records. The Commission shall take this bond subject to all payments and prepayments of principal and interest (as reflected by the Payment Record maintained by the City Recorder), prior to such surrender for transfer.]

This bond may be prepaid at the option of the City from funds from any source, in whole but not in part, at any time on and after October 15, 2027, at a prepayment price equal to the principal amount outstanding, plus accrued interest to the prepayment date. Notice shall be given of such prepayment to the owner of this bond or registered assigns at least 90 days prior to the prepayment date. Such notice shall be in writing mailed to the address of the owner of this bond or registered assigns at the address as reflected on the bond registration books of the City Recorder.

This bond does not constitute an indebtedness of the City within any constitutional or statutory limitation or provision. This bond is a special obligation payable solely from the revenues derived from the operation of the System. In this regard, the pledge of System revenues is (a) subordinate to the pledges of System revenues in favor of the City's Water and Sewer Revenue Bonds, Series 2014A and Series 2014B and the City's Water and

Sewer Revenue Bond dated April 9 2015 and (b) on a parity with the pledge of System Revenues in favor of the City's Water and Sewer Revenue Bond, Series 2017\_\_\_\_, so long as any of such obligations are outstanding. A sufficient amount of System revenues to pay principal and interest has been duly set aside and pledged as a special fund for that purpose, identified as the "ADFA Bond Fund," in the Authorizing Ordinance. The City has fixed and has covenanted and agreed to maintain rates for use of the System which shall be sufficient at all times to at least provide for the payment of the reasonable expenses of operation and maintenance of the System, to provide for the payment of the principal of and interest on all the outstanding obligations to which System revenues are pledged as the same become due, to establish and maintain debt service reserves and to provide a depreciation fund, all as set forth in the Authorizing Ordinance.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State to exist, happen and be performed precedent to and in the issuance of this bond do exist, have happened and have been performed in regular and due time, form and manner as required by law; that this bond does not exceed any constitutional or statutory limitation of indebtedness; and that provision has been made for the payment of the principal of and interest on this bond, as provided in the Authorizing Ordinance.

IN WITNESS WHEREOF, the City of Lockesburg, Arkansas has caused this bond to be executed in its name by its Mayor and City Recorder, thereunto duly authorized, and its corporate seal to be affixed, all as of the \_\_\_\_\_ day of \_\_\_\_\_, 2017.

CITY OF LOCKESBURG, ARKANSAS

By \_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Recorder

(SEAL)

[A Registration Certificate and Record of Payment  
of Advances shall be attached to each bond.]

Section 7. 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 these ordinances, are hereby ratified, confirmed and continued.

The City covenants and agrees that the rates established will produce gross Revenues at least sufficient to pay monthly operation, maintenance and funded depreciation

expenses of the System, pay the principal of and interest on all outstanding obligations to which Revenues are pledged ("System Bonds"), as the same become due, pay the Servicing Fee as the same become due, and create and maintain any required debt service reserves ("Required Payments"). The City covenants always to maintain rates (including increases as necessary) which will provide for the Required Payments. The rates currently in effect for water and sewer service shall not be reduced without the prior written consent of the Commission and the Bondholder.

Section 8. The Treasurer of the City shall be the custodian of Revenues and shall give bond or provide other security for the faithful discharge of his or her duties. Such bond or other security shall be approved by the City Council. All Revenues shall at all times be accounted for separately and distinctly from other moneys of the City. All Revenues shall be used and applied only as provided herein and shall be deposited in such depository or depositories for the City as may be lawfully designated from time to time by the City; subject, however, to the giving of security as now or as hereafter may be required by law and provided that such depository or depositories shall hold membership in the Federal Deposit Insurance Corporation ("FDIC"). All deposits shall be in the name of the City and shall be so designated as to indicate the particular fund to which Revenues belong. Payments from the respective funds shall be made by check or voucher, signed by the Treasurer and one other person designated by the City and drawn on the depository with which the moneys in the fund shall have been deposited, and each such check or voucher shall briefly specify the purpose of the expenditure.

Section 9. The City covenants that it will continuously operate the System as a revenue-producing undertaking and will not sell or lease the same, or any substantial portion thereof, without the prior written approval of the Bondholder and the Commission; provided, however, that nothing herein shall be construed to prohibit the City from making such dispositions of properties of the System and such replacements and substitutions for properties of the System as shall be necessary or incidental to the efficient operation of the System as a revenue-producing undertaking.

Section 10. There has heretofore been created and established a special fund in the name of the City designated "Water and Sewer Revenue Fund" (the "Revenue Fund") into which special fund there shall be paid all Revenues as and when received. Moneys 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 bonds and other System Bonds, to the maintenance of any debt service reserve at the required level, and to the providing of depreciation reserves and otherwise as described herein.

Section 11. There shall first be paid from the Revenue Fund into a fund, which has been heretofore created and designated "Water and Sewer Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), on or before the first business day of each month, such sums as are estimated to be required to pay the reasonable and necessary expenses of operation, repair, maintenance and the insuring of the System for such month (excluding depreciation and debt service payments) and from which disbursements shall be made only for those purposes. Fixed annual charges, such as insurance premiums and the cost of major repair and maintenance expenses may be computed and set up on an annual basis and one twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance Fund each month.



Section 12. (a) After making the required payments into the Operation and Maintenance Fund and after making the required payments into the bond funds for the Prior Bonds, there shall be paid from the Revenue Fund into an account of the City in a special fund to be created by the Bondholder and designated "Series 2017" (the "ADFA Bond Fund") for the purpose of paying the principal of and interest on the bonds the amounts specified in (b) below.

(b) In order to pay interest on the bonds, there shall be deposited from moneys in the Revenue Fund into the ADFA Bond Fund on each April 15 and October 15 after the bonds are issued and delivered until October 15, 2019, the interest due on the bonds on such dates. Commencing on the first business day of each month thereafter, there shall be deposited from moneys in the Revenue Fund into the ADFA Bond Fund an amount equal to 1/6 of the amount of principal of and interest on the bonds next due (or due in case of the months of April and October).

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

(d) When the moneys held in the ADFA Bond Fund which represent payments by the City and interest earnings thereon or proceeds of investments therefrom (collectively, "City Funds") shall be and remain sufficient to pay in full the principal of and interest on the bonds, the City shall not be obligated to make any further payments into the ADFA Bond Fund.

(e) All moneys in the ADFA Bond Fund representing City Funds shall be used solely for the purpose of paying the principal of and interest on the bonds and the City shall automatically receive a credit for the amount of such City Funds on hand in the ADFA Bond Fund and available for the payment of any principal and interest currently due on an interest or principal payment date irrespective of whether the Bondholder has applied or caused to be applied such funds on that date for such purpose. The City shall receive a credit for all earnings and income derived from the investment of City Funds each April 15 and October 15 and such earnings and income shall be credited against the next six monthly payments.

(f) The bonds shall be specifically secured by a pledge of all Revenues required to be placed into the ADFA Bond Fund. This pledge in favor of the bond is hereby irrevocably made according to the terms of this Ordinance, and the City and its officers and employees shall execute, perform and carry out the terms thereof in strict conformity with the provisions of this Ordinance.

Section 13. After making the deposit into the Operation and Maintenance Fund and after making the payments into the ADFA Bond Fund as set forth above, there shall be paid from the Revenue Fund the Servicing Fee to the Authority. The Servicing Fee shall be payable on each date interest on the bonds is due and shall be calculated on the same basis as interest on the bond. The payment of the Servicing Fee is expressly made subordinate to the payment of the principal of and interest on the bonds.

Section 14. (a) After making the payments and deposits described above, there shall be deposited into the Water and Sewer Depreciation Fund heretofore created (the "Depreciation Fund"), any amount required by the 2015 Ordinance and there shall be deposited into the 2014 Depreciation Fund created by the 2014 Ordinance (the "2014 Depreciation Fund") any amount required by the 2014 Ordinance.

(b) Notwithstanding the above, so long as the bonds are outstanding, the City shall maintain a fund which is hereby created and designated as the "2017 Depreciation Fund" (the "2017 Depreciation Fund"). Subject to the last sentence of this subsection (b), after making the payments and deposits described in Sections 11, 12, 13 and 14(a) hereof, there shall be deposited into the 2017 Depreciation Fund an amount equal to 6% of gross monthly Revenues. Once the 2017 Depreciation Fund reaches an amount equal to \$65,000 (the "Required Level"), the City shall not be required to make further deposits into the 2017 Depreciation Fund; provided, however, that monthly deposits must resume, if the 2017 Depreciation Fund drops below the Required Level, until such time as the Required Level is again reached. Moneys in the 2017 Depreciation Fund may be used for replacement or repairs to the System or for other purposes approved by the Commission. Funds may only be withdrawn from the 2017 Depreciation Fund with the prior written consent of the Commission. Notwithstanding the above, the City shall not be required to make a deposit into the 2017 Depreciation Fund unless and until the 2014 Depreciation Fund is funded at its required level, as provided in the 2014 Ordinance.

Section 15. The City shall assure that (i) not in excess of 10% of the proceeds of the bonds is used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the bonds during the term thereof is, under the terms of the bonds or any underlying arrangement, directly or indirectly secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the City, in respect of property or borrowed moneys used or to be used for a Private Business Use; and (ii) that, in the event that both (A) in excess of 5% of the proceeds of the bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the bonds during the term thereof is, under the terms of the bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the City, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of proceeds of the bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Improvements.

The City shall assure that not in excess of 5% of the proceeds of the bonds are used, directly or indirectly, to make or finance a loan to persons other than state or local governmental units.

As used in this Section, "Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other

than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

Section 16. The principal and interest installments shall be prepayable prior to maturity as provided in the bond form in Section 6 hereof.

Section 17. As long as the bonds are outstanding, the City shall not issue or attempt to issue any bonds having or claimed to be entitled to a priority of lien on Revenues over the lien securing the bonds, including any and all future extensions, betterments and improvements to the System except as provided in this Section.

The City may issue additional bonds on a parity with the lien on Revenues in favor of the bonds to finance or pay the cost of constructing extensions, betterments and improvements to the System or to refund other outstanding System Bonds if there shall have been procured and filed with the City Recorder and the Bondholder a statement by a certified public accountant not in the regular employ of the City ("Accountant") reciting the opinion that (i) the Net Revenues (Net Revenues being gross Revenues less operation and maintenance expenses, but not including interest and depreciation) for the fiscal year preceding the year in which such additional bonds are to be issued were not less than 110% of the maximum annual debt service requirements (including principal, interest and servicing and administrative fees) on all outstanding System Bonds and the bonds then proposed to be issued or (ii) the Net Revenues for the fiscal year succeeding the year in which such additional bonds are to be issued are projected to be sufficient in amount, taking in consideration any enacted increase in Revenues, to be not less than 110% of the maximum annual debt service requirements (including principal, interest and servicing and administrative fees) on all outstanding System Bonds and the bonds then proposed to be issued.

The additional bonds, the issuance of which is restricted and conditioned by this Section, shall not be deemed to mean bonds the security and source of payment of which are subordinate and subject to the priority of the bonds and such additional bonds may be issued without complying with the terms and conditions of this Section.

Section 18. It is covenanted and agreed by the City with the Bondholder and the Commission that it will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State and by this Ordinance, including, without limitation, the making and collecting of reasonable and sufficient rates lawfully established for services rendered by the System, segregating Revenues and applying them to the respective funds maintained pursuant to the 2014 Ordinance, the 2015 Ordinance and this Ordinance.

The City covenants and agrees that the Bondholder shall have the protection of all the provisions of the Authorizing Legislation, and that the City will diligently proceed to enforce those provisions to the end of the Bondholder realizing fully upon its security. And, if the City shall fail to proceed within 30 days after written request shall have been filed by the Bondholder, the Bondholder may proceed to enforce all such provisions.

If there be any default in the payment of the principal of or interest on the bonds, or if the City defaults in any ADFA Bond Fund requirement or in the performance of any of the other covenants contained in this Ordinance, the Bondholder may, by proper suit, compel the performance of the duties of the officials of the City under the laws of the State. In the case of a default in the payment of the principal of and interest on the bonds, the Bondholder may apply in a proper action to a court of competent jurisdiction for the appointment of a receiver to administer the System on behalf of the City and the Bondholder 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, repair and maintenance and to pay the bonds and interest outstanding and to apply Revenues in conformity with this Ordinance. When all defaults in principal and interest payments have been cured, the custody and operation of the System shall revert to the City. No remedy herein conferred upon or reserved to the Bondholder is intended to be exclusive of any other remedy or remedies herein provided or provided by law, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or given by law. No delay or omission of the Bondholder 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 default or an acquiescence therein; and every power and remedy given by this Ordinance to the Bondholder may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon. Any costs of enforcement of the bonds or of any provision of this Ordinance, including reasonable attorney's fees, shall be paid by the City. The Authority may enforce all rights and exercise all remedies available to the Bondholder in the event the Servicing Fee is not paid when due.

Section 19. When the bonds have been executed and sealed as herein provided, they shall be delivered to the Bondholder upon payment of all or a portion of the purchase price in accordance with the Agreement. The sale proceeds shall be deposited, as and when received, in a special account of the City hereby created in a bank selected by the City that is a member of the Federal Deposit Insurance Corporation and designated the "2017 Sewer Construction Fund" (the "Construction Fund"). The moneys in the Construction Fund shall be used for reimbursing the City for the costs paid in accomplishing the Improvements, expenses incidental thereto and the expenses of issuing the bonds approved in accordance with the Agreement. Payments from the Construction Fund shall be by check or voucher signed by two persons designated by the City Council and drawn on the depository. Each such check or voucher shall briefly specify the purpose of the expenditure.

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 the Mayor and by the consulting engineer, which certificate shall state, among other things, the date of the completion and that all obligations payable from the Construction Fund have been discharged. A copy of the certificate shall be filed with the depository bank, the Bondholder and the Commission.

Section 20. The terms of this Ordinance shall constitute a contract among the City, the Bondholder and the Commission and no variation or change in the undertaking herein set forth shall be made while the bonds are outstanding unless consented to in writing by the Bondholder and the Commission.

Section 21. The City agrees that it will keep proper records, books and accounts relating to the operation of the System, which shall be kept separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the operation of the System in accordance with generally accepted government accounting standards. Such books shall be available for inspection by the Bondholder and the Commission, or the agent or the representative of either, at reasonable times and under reasonable circumstances. The City agrees to have these records audited by an Accountant at least once each year and a copy of the audit report shall be furnished to the Commission and the Bondholder on or before 120 days after the close of each fiscal year. In the event the City fails or refuses to furnish or cause such reports to be furnished, the Bondholder may have the reports made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

Section 22. The City covenants and agrees that it will maintain the System in good condition and operate it in an efficient manner and at reasonable cost. While the bond is outstanding, the City agrees that it will insure, and at all times keep insured, in the amount of the actual value thereof, in a responsible insurance company or companies authorized and qualified under the laws of the State to assume the risk thereof, all above ground structures of the System (except reservoirs, standpipes and elevated tanks) against loss or damage thereto from fire, lightning, tornado, winds, riot, strike, civil commotion, malicious damage, explosion, and against loss or damage from any other causes customarily insured against by private companies engaged in a similar type of business. In the event of loss, the proceeds of such insurance shall be applied solely toward the reconstruction, replacement or repair of the System, and in such event the City will, with reasonable promptness, cause to be commenced and completed the reconstruction, replacement and repair work.

Section 23. In the event the office of Mayor, City Recorder, Treasurer or City Council shall be abolished, or any two or more of such offices shall be merged or consolidated, or in the event the duties of a particular office shall be transferred to another office or officer, or in the event of a vacancy in any such office by reason of death, resignation, removal from office or otherwise, or in the event any such officer shall become incapable of performing the duties of his office by reason of sickness, absence from the City or otherwise, all powers conferred and all obligations and duties imposed upon such office or officer shall be performed by the office or officer succeeding to the principal functions thereof, or by the office or officer upon whom such powers, obligations and duties shall be imposed by law. In this regard, if the City should ever fail to maintain the office of Treasurer, the duties of the Treasurer hereunder shall be performed by the City Recorder.

Section 24. The City agrees that the Bondholder may pledge the Series 2017A Bond as security for the ADFA Bonds, and the ADFA Trustee and/or the municipal bond insurer for the ADFA Bonds may exercise any rights and remedies available to the Bondholder under this Ordinance or the Agreement while the Series 2017A Bond is pledged and/or the ADFA

Bonds are insured. In addition, the City agrees that while the Series 2017A Bond is pledged and/or the ADFA Bonds are insured, copies of all financial information shall be furnished to the ADFA Trustee and/or the municipal bond insurer.

Section 25. (a) Moneys held for the credit of all funds created hereby shall be continuously invested and reinvested in direct obligations of, or obligations the principal of and interest on which are fully guaranteed by, the United States Government ("Government Obligations"), or other investments as may be from time to time authorized by law, which mature or which shall be subject to redemption by the holder, at the option of such holder, not later than the date or dates when the moneys will be needed for the purposes intended.

(b) Obligations so purchased as an investment of moneys in any such 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 investment 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 Obligations need not be secured by the depository bank.

Section 26. The City is hereby authorized to accept the forgiveness of the principal of the Series 2017B Bond under the terms of the 2017B Agreement. Other than as set forth in the Agreement, all rights of the Bondholder and the Commission under this Ordinance with respect to the Series 2017B Bond shall cease when all advances have been made against the purchase price of the Series 2017B Bond under the 2017B Agreement and the principal amount has been forgiven in accordance with the 2017B Agreement.

Section 27. The provisions of this Ordinance are hereby declared to be separable, and if any provision shall for any reason be held illegal or invalid, it shall not affect the validity of the remainder of this Ordinance.

Section 28. References in this Ordinance to "Bondholder" shall include the original Bondholder or any registered assign thereof.

Section 29. All ordinances and resolutions and parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

Section 30. It is hereby ascertained and declared that the Improvements must be accomplished as soon as possible in order to make the System adequate for the needs of the City and its inhabitants, without which the life, health, safety and welfare thereof are jeopardized, and that the issuance of the bonds and the taking of the other action authorized by this Ordinance is necessary for the accomplishment thereof. It is, therefore, declared that an emergency exists and this Ordinance being necessary for the immediate preservation of the public peace, health and safety shall take effect and be in force from and after its passage.

PASSED: March 14, 2017.

APPROVED:

  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
City Recorder

(SEAL)

CERTIFICATE

The undersigned, City Recorder of the City of Lockesburg, Arkansas (the "City"), hereby certifies that the foregoing pages are a true and perfect copy of Ordinance No. 2017-1, adopted at a regular session of the City Council of the City, held at the regular meeting place in the City at 6:00 o'clock p.m., on the 14th day of March, 2017, and that the Ordinance is of record in the Ordinance Record Book now in my possession.

GIVEN under my hand and seal on this 14th day of March, 2017.

  
\_\_\_\_\_  
City Recorder

(SEAL)



PROOF OF POSTING OF ORDINANCE AND CERTIFICATE

STATE OF ARKANSAS

COUNTY OF SEVIER

We, Danny Ruth, and Becky Jegstrup, do solemnly swear that as Mayor and City Recorder, respectively, of and for the City of Lockesburg, Sevier County, Arkansas, that certified copies of Ordinance No. ~~2017-1~~ (the "Bond Ordinance") were, on the 15th day of March, 2017, duly posted in five separate and distinct places inside the corporate limits of the City as set forth in Ordinance No. 2014-1 of the City, and that the Bond Ordinance has remained posted for at least thirty (30) days.

We do hereby certify that there is no newspaper published within the corporate limits of the City.

DATED this 15th day of April, 2017.

  
\_\_\_\_\_  
City Recorder

  
\_\_\_\_\_  
Mayor

(SEAL)