

ORDINANCE NO. 2021-11

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF WATER AND SEWER REFUNDING REVENUE BONDS; 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 Prairie Grove, Arkansas (the "City") owns water and sewer facilities, which are operated as a single, integrated municipal undertaking (the "System"); and

WHEREAS, the City has outstanding its Water and Sewer Revenue Bond, Series 2010A (the "Series 2010A Bond"), its Water and Sewer Refunding Revenue Bonds, Series 2013 (the "Series 2013 Bonds") and its Water and Sewer Revenue Bonds, Series 2015 (the "Series 2015 Bonds" and collectively with the Series 2010A Bond and the Series 2013 Bonds, the "Bonds Refunded"); and

WHEREAS, the City Council has determined that it is in the best interest of the City to refund the Bonds Refunded (the "Refunding"); and

WHEREAS, the City can accomplish the Refunding by the issuance of its Water and Sewer Refunding Revenue Bonds, Series 2021 in the principal amount of \$4,740,000 (the "bonds"); and

WHEREAS, the City has made arrangements for the sale of the bonds to Crews & Associates, Inc. (the "Purchaser"), at a price of \$4,807,492.85 (principal amount plus \$138,592.85 of net original issue premium and less \$71,100 of underwriter's discount) (the "Purchase Price") pursuant to a Bond Purchase Agreement (the "Purchase Agreement") which has been presented to and is before this meeting; and

WHEREAS, the Preliminary Official Statement, dated April 8, 2021, offering the bonds for sale (the "Preliminary Official Statement") has been presented to and is before this meeting; and

WHEREAS, the Continuing Disclosure Agreement (the "Disclosure Agreement") between the City and First Community Bank, Batesville, Arkansas, as Dissemination Agent, providing for the disclosure obligations of the City with respect to the bonds, has been presented to and is before this meeting; and

WHEREAS, Build America Mutual Assurance Company (the "Insurer") will be issuing a municipal bond debt service reserve insurance policy (the "Reserve Policy") in order to provide a debt service reserve for the bonds; and

WHEREAS, the Debt Service Reserve Agreement, relating to the Reserve Policy, between the City and the Insurer (the "Reserve Agreement") has been presented to and is before this meeting; and

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF WATER AND SEWER REFUNDING REVENUE BONDS; 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 Prairie Grove, Arkansas (the "City") owns water and sewer facilities, which are operated as a single, integrated municipal undertaking (the "System"); and

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WHEREAS, the Debt Service Reserve Agreement, relating to the Reserve Policy, between the City and the Insurer (the "Reserve Agreement") has been presented to and is before this meeting; and

WHEREAS, the Insurer will also be issuing a municipal bond insurance policy with respect to the bonds (the "Insurance Policy");

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

Section 1. The Refunding shall be accomplished. The Mayor and City Clerk are hereby authorized to take, or cause to be taken, all action necessary to accomplish the Refunding and to execute all required contracts. The Bonds Refunded shall be called for redemption on the date the bonds are issued at a price of par plus accrued interest.

Section 2. The City Council hereby finds and declares that the period of usefulness of the System will be more than 20 years, which is longer than the term of the bonds.

Section 3. The offer of the Purchaser for the purchase of the bonds from the City at the Purchase Price for bonds bearing interest at the rates per annum, maturing and otherwise subject to the terms and provisions hereafter in this Ordinance set forth in detail is hereby accepted, and the Purchase Agreement, in substantially the form submitted to this meeting, is approved and the bonds are hereby sold to the Purchaser. The Mayor is hereby authorized and directed to execute and deliver the Purchase Agreement on behalf of the City and to take all action required on the part of the City to fulfill its obligations under the Purchase Agreement.

Section 4. The Disclosure Agreement, in substantially the form submitted to this meeting, is approved and the Mayor is hereby authorized and directed, for and on behalf of the City, to execute and deliver the Disclosure Agreement. The Mayor is authorized and directed to take all action required on the part of the City to fulfill its obligations under the Disclosure Agreement.

Section 5. The Preliminary Official Statement is hereby approved and the previous use of the Preliminary Official Statement by the Purchaser in connection with the sale of the bonds is hereby in all respects approved and confirmed, and the Mayor is hereby authorized and directed, for and on behalf of the City, to execute the Preliminary Official Statement and the final Official Statement in the name of the City for use in connection with the sale of the bonds as set forth in the Purchase Agreement.

Section 6. Under the authority of the Constitution and laws of the State of Arkansas (the "State"), including particularly Title 14, Chapter 234, Subchapter 2, Title 14, Chapter 235, Subchapter 2, and Title 14, Chapter 164, Subchapter 4 of the Arkansas Code of 1987 Annotated 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), City of Prairie Grove, Arkansas Water and Sewer Refunding Revenue Bonds, Series 2021 are hereby authorized and ordered issued in the principal amount of \$4,740,000 for the purpose of accomplishing the Refunding, paying premiums for the Insurance Policy and the Reserve Policy and paying expenses of issuing the bonds. The bonds shall mature on May 1 in the years and in the amounts and shall bear interest as follows:

<u>Year</u> <u>(May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2022	\$290,000	3.000%
2023	310,000	3.000
2024	315,000	3.000
2025	325,000	3.000
2026	335,000	3.000
2027	330,000	2.000
2028	345,000	2.000
2029	360,000	2.000
2030	360,000	2.000
2031	375,000	2.000
2036	885,000	2.125
2040	510,000	2.250

The bonds shall be dated as of their date of delivery to the Purchaser and shall be issuable only as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. Unless the City shall otherwise direct, the bonds shall be numbered from 1 upward in order of issuance. Each bond shall have a CUSIP number.

The bonds shall be registered initially in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), which shall be considered to be the registered owner of the bonds for all purposes under this Ordinance, including, without limitation, payment by the City of principal of, redemption price, premium, if any, and interest on the bonds, and receipt of notices and exercise of rights of registered owners. There shall be one certificated, typewritten bond for each stated maturity date which shall be immobilized in the custody of or on behalf of DTC with the beneficial owners having no right to receive the bonds in the form of physical securities or certificates. DTC and its participants shall be responsible for maintenance of records of the ownership of beneficial interests in the bonds by book-entry on the system maintained and operated by DTC and its participants, and transfers of ownership of beneficial interests shall be made only by DTC and its participants, by book-entry, the City having no responsibility therefor. DTC is expected to maintain records of the positions of participants in the bonds, and the participants and persons acting through participants are expected to maintain records of the purchasers of beneficial interests in the bonds. The bonds as such shall not be transferable or exchangeable, except for transfer to another securities depository or to another nominee of a securities depository, without further action by the City.

If any securities depository determines not to continue to act as a securities depository for the bonds for use in a book-entry system, the City may establish a securities depository/book-entry system relationship with another securities depository. If the City does not or is unable to do so, or upon request of the beneficial owners of all outstanding bonds, the City and the Trustee (hereinafter identified), after the Trustee has made provision for notification of the beneficial owners by the then securities depository, shall permit withdrawal of the bonds from the securities depository, and authenticate and deliver bond certificates in fully registered form (in denominations of \$5,000 or integral multiples thereof) to the assigns of the securities depository

or its nominee, all at the cost and expense (including costs of printing definitive bonds) of the City, if the City fails to maintain a securities depository/book-entry system, or of the beneficial owners, if they request termination of the system.

Prior to issuance of the bonds, the City shall have executed and delivered to DTC a written agreement (the "Representation Letter") setting forth (or incorporating therein by reference) certain undertakings and responsibilities of the City with respect to the bonds so long as the bonds or a portion thereof are registered in the name of Cede & Co. (or a substitute nominee) and held by DTC. Notwithstanding such execution and delivery of the Representation Letter, the terms thereof shall not in any way limit the provisions of this Section or in any other way impose upon the City any obligation whatsoever with respect to persons having interests in the bonds other than the registered owners, as shown on the registration books kept by the Trustee. The Trustee shall take all action necessary for all representations of the City in the Representation Letter with respect to the Trustee to at all times be complied with.

The authorized officers of the Trustee and the City shall do or perform such acts and execute all such certificates, documents and other instruments as they or any of them deem necessary or advisable to facilitate the efficient use of a securities depository for all or any portion of the bonds; provided that neither the Trustee nor the City may assume any obligations to such securities depository or beneficial owners of bonds that are inconsistent with their obligations to any registered owner under this Ordinance.

Interest on the bonds shall be payable on November 1, 2021 and semiannually thereafter on May 1 and November 1 of each year. Payment of each installment of interest shall be made to the person in whose name the bond is registered on the registration books of the City maintained by First Community Bank, Batesville, Arkansas, as Trustee and Paying Agent (the "Trustee"), at the close of business on the fifteenth day of the month (whether or not a business day) next preceding each interest payment date (the "Record Date"), irrespective of any transfer or exchange of any such bond subsequent to such Record Date and prior to such interest payment date.

Each bond shall bear interest from the payment date next preceding the date on which it is authenticated unless it is authenticated on an interest payment date, in which event it shall bear interest from such date, or unless it is authenticated prior to the first interest payment date, in which event it shall bear interest from its dated date, or unless it is authenticated during the period from the Record Date to the next interest payment date, in which case it shall bear interest from such interest payment date, or unless at the time of authentication thereof interest is in default thereon, in which event it shall bear interest from the date to which interest has been paid.

Only such bonds as shall have endorsed thereon a Certificate of Authentication substantially in the form set forth in Section 8 hereof (the "Certificate") duly executed by the Trustee shall be entitled to any right or benefit under this Ordinance. No bond shall be valid and obligatory for any purpose unless and until the Certificate shall have been duly executed by the Trustee, and the Certificate upon any such bond shall be conclusive evidence that such bond has been authenticated and delivered under this Ordinance. The Certificate on any bond shall be

deemed to have been executed if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the Certificate on all of the bonds.

In case any bond shall become mutilated or be destroyed or lost, the City shall, if not then prohibited by law, cause to be executed and the Trustee may authenticate and deliver a new bond of like date, 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 owner paying the reasonable expenses and charges of the City and the Trustee in connection therewith, and, in the case of a bond destroyed or lost, his filing with the Trustee evidence satisfactory to it that such bond was destroyed or lost, and of his ownership thereof, and furnishing the City and the Trustee with indemnity satisfactory to them. The Trustee is hereby authorized to authenticate any such new bond. In the event any such bond shall have matured, instead of issuing a new bond, the City may pay the same without the surrender thereof. Upon the issuance of a new bond under this Section, the City 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.

The City shall cause books to be maintained for the registration and for the transfer of the bonds as provided herein and in the bonds. The Trustee shall act as the bond registrar. Each bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered bond or bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to any owner of any bond for the privilege of transfer or exchange, but any owner of any bond requesting any such transfer or exchange 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 exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. The City shall not be required to transfer or exchange any bonds selected for redemption in whole or in part.

The person in whose name any bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any 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 such bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the bonds or the date fixed for redemption of any bonds 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 interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or

the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Section 7. The bonds shall be executed on behalf of the City by the manual or facsimile signatures of the Mayor and City Clerk and shall have impressed or imprinted thereon the seal of the City. The bonds, together with interest thereon, are secured by and are payable solely from revenues derived from the System ("Revenues"). Revenues are hereby pledged and mortgaged for the equal and ratable payment of the bonds. The bonds shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory limitation.

Payment of the scheduled principal of and interest on the bonds when due (by stated maturity or by scheduled mandatory redemption) is guaranteed by the Insurer, pursuant to the Insurance Policy, as set forth in the Insurance Policy.

Section 8. The bonds and the Certificate shall be in substantially the following form and the Mayor and City Clerk are hereby expressly authorized and directed to make all recitals contained therein:

(Form of Bond)

REGISTERED

REGISTERED

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

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF ARKANSAS  
COUNTY OF WASHINGTON  
CITY OF PRAIRIE GROVE  
WATER AND SEWER REFUNDING REVENUE BOND,  
SERIES 2021

Interest Rate: \_\_\_\_\_%

Maturity Date: May 1, \_\_\_\_\_

Dated Date: May 25, 2021

Registered Owner: Cede & Co.

Principal Amount: \_\_\_\_\_ Dollars

CUSIP No.: \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS:

That the City of Prairie Grove, County of Washington, State of Arkansas (the "City"), for value received, hereby promises to pay, but solely from the source as hereinafter provided and not otherwise, to the Registered Owner shown above upon the presentation and surrender hereof at the principal corporate office of First Community Bank, Batesville, Arkansas, or its successor or successors, as Trustee and Paying Agent (the "Trustee"), on the Maturity Date shown above, the Principal Amount shown above, 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 public and private debts and to pay by check or draft interest thereon, but solely from the source as hereinafter provided and not otherwise, in like coin or currency from the interest commencement date specified below at the Interest Rate per annum shown above, payable November 1, 2021 and semiannually thereafter on the first days of May and November of each year, until payment of such principal sum 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 legally enforceable) at the rate borne by this bond. Payment of each installment of interest shall be made to the person in whose name this bond is registered on the registration books of the City maintained by the Trustee at the close of business on the fifteenth day of the month (whether or not a business day) next preceding each interest payment date (the "Record Date"), irrespective of any transfer or exchange of this bond subsequent to such Record Date and prior to such interest payment date.

This bond shall bear interest from the payment date next preceding the date on which it is authenticated unless it is authenticated on an interest payment date, in which event it shall bear interest from such date, or unless it is authenticated prior to the first interest payment date, in which event it shall bear interest from the Dated Date shown above, or unless it is authenticated during the period from the Record Date to the next interest payment date, in which case it shall bear interest from such interest payment date, or unless at the time of authentication hereof interest is in default hereon, in which event it shall bear interest from the date to which interest has been paid.

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC") to the Trustee for registration of transfer, exchange, or payment and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This bond is one of an issue of City of Prairie Grove, Arkansas Water and Sewer Refunding Revenue Bonds, Series 2021, aggregating Four Million Seven Hundred Forty Thousand Dollars (\$4,740,000) in principal amount (the "bonds"), and is issued for the purpose of refunding the City's Water and Sewer Revenue Bond, Series 2010A, the City's Water and Sewer Refunding Revenue Bonds, Series 2013 and the City's Water and Sewer Revenue Bonds, Series 2015, paying necessary expenses incidental thereto and to the authorization and issuance of the bonds and paying premiums for a municipal bond insurance policy and a municipal bond debt service reserve insurance policy.

The bonds are 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. \_\_\_\_\_, duly adopted on April 19, 2021 (the "Authorizing Ordinance"), and



do not constitute an indebtedness of the City within any constitutional or statutory limitation. The bonds are not general obligations of the City but are special obligations payable solely from the revenues derived from the operation of the City's combined water and sewer system (the "System"). An amount of System revenues sufficient to pay the principal of and interest on the bonds has been duly pledged and set aside into the Water and Sewer Revenue Bond Fund, Series 2021 created by the Authorizing Ordinance. Reference is hereby made to the Authorizing Ordinance for a detailed statement of the terms and conditions upon which the bonds are issued, of the nature and extent of the security for the bonds, and the rights and obligations of the City, the Trustee and the registered owners of the bonds. The City 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 the bonds, including Trustee's fees, as the same become due and payable, to establish and maintain a debt service reserve and to make the required deposit for the depreciation of the System.

The bonds shall be subject to optional and mandatory sinking fund redemption as follows:

(1) The bonds are subject to redemption at the option of the City, from funds from any source, in whole or in part at any time on and after November 1, 2026 at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

If fewer than all of the bonds shall be called for redemption, the particular maturities of the bonds to be redeemed shall be selected by the City in its discretion. If fewer than all of the bonds of any one maturity shall be called for redemption, the particular bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(2) To the extent not previously redeemed, the bonds maturing in May 1 in the years 2036 and 2040 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on May 1 in each of the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Bonds Maturing May 1, 2036

Year (May 1)	Principal Amount
2032	\$335,000
2033	195,000
2034	115,000
2035	120,000
2036 (maturity)	120,000

Bonds Maturing May 1, 2040

<u>Year</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>
2037	\$125,000
2038	125,000
2039	130,000
2040 (maturity)	130,000

In case any outstanding bond is in a denomination greater than \$5,000, each \$5,000 of face value of such bond shall be treated as a separate bond of the denomination of \$5,000.

Notice of redemption identifying the bonds or portions thereof (which shall be \$5,000 or a multiple thereof) to be redeemed shall be given by the Trustee, not less than 30 nor more than 60 days prior to the date fixed for redemption, by mailing a copy of the redemption notice by first class mail, postage prepaid, or sending a copy of the redemption notice via other standard means, including electronic or facsimile communication, to all registered owners of bonds to be redeemed. Failure to send an appropriate notice or any such notice to one or more registered owners of bonds to be redeemed shall not affect the validity of the proceedings for redemption of other bonds as to which notice of redemption is duly given in proper and timely fashion. All such bonds or portions thereof thus called for redemption and for the retirement of which funds are duly provided in accordance with the Authorizing Ordinance prior to the date fixed for redemption will cease to bear interest on such redemption date.

This bond is transferable by the registered owner hereof in person or by his attorney-in-fact duly authorized in writing at the principal corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Authorizing Ordinance, and upon surrender and cancellation of this bond. Upon such transfer a new fully registered bond or bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange therefor. This bond is issued with the intent that the laws of the State shall govern its construction.

The City and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and premium, if any, hereon and interest due hereon and for all other purposes, and neither the City nor the Trustee shall be affected by any notice to the contrary.

The bonds are issuable only as fully registered bonds in the denomination of \$5,000, and any integral multiple thereof. Subject to the limitations and upon payment of the charges provided in the Authorizing Ordinance, fully registered bonds may be exchanged for a like aggregate principal amount of fully registered bonds of the same maturity of other authorized denominations.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of the bonds do exist, have happened and have been performed in due time, form and manner as required by law; that the indebtedness represented by the bonds, together with all obligations of the City, does not exceed any constitutional or statutory limitation; and that the above referred to revenues pledged

to the payment of the principal of and premium, if any, and interest on the bonds as the same become due and payable will be sufficient in amount for that purpose.

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 the Certificate of Authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the City of Prairie Grove, Arkansas has caused this bond to be executed by its Mayor and City Clerk and its corporate seal to be impressed or imprinted on this bond, all as of the Dated Date shown above.

CITY OF PRAIRIE GROVE, ARKANSAS

ATTEST:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Mayor

(SEAL)

STATEMENT OF INSURANCE

[A Statement of Insurance provided by the Insurer  
shall be placed on the bonds]

(Form of Trustee's Certificate)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds designated Series 2021 in and issued under the provisions of the within mentioned Authorizing Ordinance.

Date of Authentication: \_\_\_\_\_

FIRST COMMUNITY BANK  
Batesville, Arkansas  
TRUSTEE

By \_\_\_\_\_  
Authorized Signature

(Form of Assignment)

ASSIGNMENT

FOR VALUE RECEIVED, \_\_\_\_\_ ("Transferor"), hereby sells, assigns and transfers unto \_\_\_\_\_, the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ as attorney to transfer the within bond on the books kept for registration thereof with full power of substitution in the premises.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Transferor

GUARANTEED BY:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed by a member of or participant in the Securities Transfer Agents Medallion Program (STAMP), or in another signature guaranty program recognized by the Trustee.

Section 9. The rates charged for services of the System heretofore fixed by ordinances of the City (the "Rate Ordinances") and the conditions, rights and obligations pertaining thereto, as set out in the Rate Ordinances, are hereby ratified, confirmed and continued.

The City covenants and agrees that the rates shall never be reduced while the bonds are outstanding unless there is obtained from an independent certified public accountant ("Accountant") a certificate that the Net Revenues of the System ("Net Revenues" being defined as gross 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 under generally accepted accounting principles applicable to municipal water and sewer facilities, excluding depreciation, interest and bond amortization expenses), with the reduced rates, will always be equal to the amount required to be set aside for the Depreciation Fund and leave a balance equal to at least 120% of the maximum annual principal and interest requirements on all outstanding bonds payable from Revenues ("System Bonds") plus any amounts necessary to pay the Insurer and the insurers of System Bonds for any amounts owed in connection with debt service reserve fund insurance policies or surety bonds for System Bonds. The City further covenants and agrees that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce Net Revenues at least equal to 110% of the maximum annual principal and interest requirements on all System Bonds, to provide the required deposit into the Depreciation Fund and to pay the Insurer and the insurers of System Bonds for any amounts owed in connection with debt service fund insurance policies or surety bonds for System Bonds.

Section 10. 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; 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.

So long as the bonds are outstanding or any amounts are due and payable to the Insurer, the City shall not sell, lease, transfer or otherwise dispose of the System or any material portion thereof, except upon obtaining the prior written consent of the Insurer.

Section 11. The Treasurer of the City shall be custodian of the Revenues and shall give bond for the faithful discharge of his or her duties in an amount at least equal to the total funds in his or her custody at any one time. All Revenues shall at all times be accounted for separately and distinctly from other moneys of the City and shall be used and applied only as provided herein. Except as hereinafter provided, all Revenues 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 hereafter may be required by law, and provided that such depository or depositories shall hold membership in the Federal Deposit Insurance Corporation ("FDIC") or any successor entity. All deposits shall be in the name of the City and shall be so designated as to indicate the particular fund to which the Revenues belong. Except as hereinafter provided, all payments from the respective funds shall be by check or voucher, signed by two persons designated by the City Council 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 12. All Revenues shall be deposited into a special fund hereby created and designated "Water and Sewer Fund" (the "Revenue Fund"). Revenues in the Revenue Fund are hereby pledged and 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 System Bonds, to the maintenance of debt service reserves at required levels, to the providing of the Depreciation Fund, and otherwise as described herein.

Section 13. There shall first be paid from the Revenue Fund into a fund hereby created and designated "Water and Sewer Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), on the first business day of each month, an amount sufficient to pay the reasonable and necessary monthly expenses of operation, repair and maintenance of the System for such month 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.

If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of the deficiency shall be added to the amount otherwise required to be transferred and paid into the fund the next succeeding month. If in any fiscal year a surplus shall be accumulated in the Operation and Maintenance Fund over

and above the amount necessary to meet the requirements thereof during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred into the Depreciation Fund.

Section 14. (a) After making the required payments into the Operation and Maintenance Fund, there shall be transferred from the Revenue Fund into a special fund in the name of the City which is hereby created in the Trustee and designated "Water and Sewer Revenue Bond Fund, Series 2021" (the "Bond Fund"), the sums in the amounts and at the times hereinafter stated in subsection (b) for the purpose of providing funds for the payment of the principal of and interest on the bonds as they mature and as a debt service reserve.

(b) There shall be paid into the Bond Fund on or before the fifteenth day of each month until all outstanding bonds with interest thereon have been paid in full or provision made for such payment, a sum equal to (i) 1/6 of the next installment of interest on the bonds, plus (ii) 1/12 of the next installment of principal of the bonds; provided, however, that (a) payments into the Bond Fund through October 2021 shall be in an amount equal to (i) 1/5 of the installment of interest on the bonds due November 1, 2021 and (ii) 1/11 of the installment of principal of the bonds due May 1, 2022 and (b) payments into the Bond Fund from November 2021 through April 2022 shall be in an amount equal to (i) 1/6 of the installment of interest on the bonds due May 1, 2022 and (ii) 1/11 of the installment of principal of the bonds due May 1, 2022.

There is hereby created, as a part of the Bond Fund, a Debt Service Reserve. The Reserve Policy, which shall be in an amount equal to one-half of the maximum annual principal and interest requirements on the bonds, (based on a year ending May 1) shall be deposited into the Debt Service Reserve.

If for any reason there shall be a deficiency in the payments made into the Bond Fund so that there are unavailable sufficient moneys therein to pay the principal of and interest on the bonds as the same become due, any sums received from the Reserve Policy in the Debt Service Reserve shall be used to the extent necessary to pay such principal and interest. The Debt Service Reserve shall secure only the bonds. The City shall reimburse the Insurer for all amounts drawn under the Reserve Policy in accordance with the Reserve Agreement and as hereinafter provided. Repayment of Reserve Policy Payments (as defined in Section 29 hereof) shall be made after the required payments into the Bond Fund and any bond funds for additional parity bonds, but prior to any payments into any other fund or account.

The prior written consent of the Insurer is a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve, if any (other than the Reserve Policy). Amounts on deposit in the Debt Service Reserve shall be applied solely to the payment of debt service due on the bonds.

The City shall also pay into the Bond Fund such additional sums as necessary to provide for the Trustee's fees and expenses. The City shall realize a credit against monthly deposits into the Bond Fund from all interest earnings on moneys in the Bond Fund, all transfers made from the

Debt Service Reserve during the preceding month and funds held in connection with the Bonds Refunded.

If Revenues are insufficient to make the required monthly payment 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 or before the fifteenth day of the next month.

When the moneys held in the Bond Fund shall be and remain sufficient to pay the principal of and interest on all of the bonds then outstanding plus Trustee's fees and expenses, the City shall not be obligated to make any further payments into the Bond Fund.

The Trustee is authorized and directed to withdraw from the Bond Fund on the due date of any principal and/or interest on any bond, at maturity or redemption prior to maturity, an amount equal to the amount of such bond and interest due thereon for the sole purpose of paying the same. The Trustee is also authorized to withdraw the Trustee's fee and reasonable expenses of the Trustee. No withdrawal of funds from the Bond Fund shall be made for any other purpose except as otherwise authorized in this Ordinance.

(c) The bonds shall be specifically secured by a pledge of all Revenues. This pledge in favor of the bonds 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 15. After making the required payments into the Operation and Maintenance Fund and into the Bond Fund, there shall be paid from the Revenue Fund into a special fund hereby created and designated "Waterworks and Sewer Depreciation Fund" (the "Depreciation Fund"), on or before the fifteenth day of each month while any of the bonds are outstanding, a sum equal to 3% of the Revenues for the preceding month. Moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of necessary repairs or replacements made necessary by the depreciation of the System.

If in any fiscal year a surplus shall be accumulated in the Depreciation Fund over and above the amount which shall be necessary to defray the cost of the probable replacements during the current fiscal year and the next ensuing fiscal year, such surplus may be transferred to the Revenue Fund.

Section 16. Any surplus in the Revenue Fund after making all disbursements and providing for all funds described above, including the repayment of Reserve Policy Payments (as defined in Section 29 hereof) and Bond Insurer Reimbursement Amounts (as defined in Section 30 hereof), shall be used for the payment of all other amounts owed the Insurer (including Reserve Policy Expenses and Administrative Costs, each as defined in Sections 29 and 30 hereof) and the insurers of the System Bonds and may be used, at the option of the City, for the redemption of System Bonds, for extensions, betterments and improvements to the System, or for any other lawful municipal purpose authorized by the City.



Section 17. So long as any of the bonds are outstanding, the City shall not issue or attempt to issue any bonds claimed to be entitled to a priority of lien on Revenues over the lien securing the bonds. The City 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 bonds issued for such purposes, but the City shall not authorize or issue any such additional bonds ranking on a parity with the bonds unless there has been procured and filed with the Trustee a statement by an Accountant reciting the opinion, 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 110% of the maximum annual principal and interest requirements on all the then outstanding System Bonds and the additional bonds then proposed to be issued. In making the computation set forth above, the City, and the Accountant on behalf of the City, may, based upon the opinion or report of a registered professional engineer not in the regular employ of the City, treat any increase in rates for the System enacted subsequent to the first day of such preceding fiscal year as having been in effect throughout such fiscal year and may include in gross Revenues for such fiscal year the amount that would have been received, based on such opinion or report, had the increase been in effect throughout such fiscal year. For purposes of the required computation, there shall be added to the maximum annual principal and interest requirement any amounts due and owing any insurer in connection with debt service reserve fund insurance policies or surety bonds for System Bonds.

Section 18. The bonds shall be subject to redemption prior to maturity in accordance with the terms set out in the bond form in Section 8 hereof. The City covenants and agrees to cause to be paid into the Bond Fund sufficient funds to redeem the bonds in the amounts and on the dates set forth in the bonds. Therefore, in calculating the monthly payments to be deposited into the Bond Fund, the term "next installment of principal" shall include the principal of the bonds maturing on the next principal payment date and the principal of the bonds which will be redeemed in accordance with the mandatory sinking fund redemption provisions of the bonds on the next interest payment date scheduled for such redemption.

Section 19. The City shall cause proper books of accounts and records to be kept (separate from all other records and accounts) 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 owner of any of the bonds at reasonable times and under reasonable circumstances. The City agrees to have these records audited by an Accountant at least once each year. A copy of the audit shall be delivered to the Trustee and made available to the registered owners of the bonds. In the event that the City fails or refuses to make the audit, any registered owner of the bonds, may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

Section 20. The City covenants that it will maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. While the bonds are 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, properties of the System, to the extent that such properties would be covered by insurance by private companies engaged in similar types of businesses

against loss or damage thereto from fire and other perils included in extended coverage insurance in effect in the State. 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. If such proceeds are more than sufficient for such purposes, the balance remaining shall be deposited to the credit of the Revenue Fund, and if such proceeds shall be insufficient for such purposes the deficiency shall be supplied first from moneys in the Depreciation Fund and second from moneys in the Operation and Maintenance Fund and third from available moneys in the Revenue Fund. Nothing shall be construed as requiring the City to expend any moneys for operation and maintenance of the System or for premiums on its insurance which are derived from sources other than the operation of the System, but nothing shall be construed as preventing the City from doing so. The insurance policies are to carry a clause making them payable to the Trustee as its interest may appear, and satisfactory evidence of said insurance shall be filed with the Trustee.

Section 21. Any bond shall be deemed to be paid within the meaning of this Ordinance when payment of the principal of and interest on such bond (whether at maturity or upon redemption as provided herein, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment, (1) cash fully insured by the FDIC and/or fully collateralized with Investment Securities (as hereinafter defined) sufficient to make such payment and/or (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America ("Investment Securities") (provided that such deposit will not affect the tax exempt status of the interest on any of the bonds or cause any of the bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code")), maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee pertaining to the bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

On the payment of any such bonds within the meaning of this Ordinance, the Trustee shall hold in trust, for the benefit of the owners of such bonds, all such moneys and/or Investment Securities.

When all the bonds shall have been paid within the meaning of this Ordinance and if the Trustee has been paid its fees and expenses, the Trustee shall take all appropriate action to cause (i) the pledge and lien of this Ordinance to be discharged and cancelled, and (ii) all moneys held by it pursuant to this Ordinance and which are not required for the payment of such bonds to be paid over or delivered to or at the direction of the City. In determining the sufficiency of the deposit of Investment Securities there shall be considered the principal amount of such Investment Securities and interest to be earned thereon until the maturity of such Investment Securities.

At least three business days prior to any defeasance with respect to the bonds, the City shall, unless waived by the Insurer, deliver to the Insurer draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the bonds and a verification report (a "Verification Report") prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion shall be addressed to the Insurer and shall be in form and substance satisfactory to the Insurer. Such Verification Report shall be in the form and substance satisfactory to the Insurer and, unless waived by the Insurer, shall either be addressed to the Insurer or shall include a statement to the effect that such Verification Report may be relied upon by the Insurer. In addition, the escrow agreement shall provide that:

(1) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the bonds is excludable) from gross income of the holders of the bonds of the interest on the bonds for federal income tax purposes and the prior written consent of the Insurer, which consent will not be unreasonably withheld.

(2) The City will not exercise any prior optional redemption of bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to the Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(3) , The City shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Insurer.

Section 22. (a) Subject to the provisions of subparagraph (g) below, if there be any default in the payment of the principal of, premium, if any, or interest on any of the bonds or if the City defaults in the performance of any of the other covenants contained in this Ordinance, the Trustee may, and upon the written request of (1) the Insurer or (2) with the consent of the Insurer, the registered owners of not less than 10% in principal amount of the then outstanding bonds, shall, by proper suit compel, by mandamus or otherwise, 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, premium, if any, and interest on any of the bonds, the Trustee may, and, upon the written request of (1) the Insurer or (2) with the consent of the Insurer, the registered owners of not less than 10% in principal amount of the then outstanding bonds, shall 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 registered owners of the bonds 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 and to pay any bonds outstanding

and to apply the System revenues in conformity with the laws of the State and with this Ordinance. When defaults in such payments have been cured, the custody and operation of the System shall revert to the City.

(b) No registered owner of any of the outstanding bonds shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any power or right unless (1) such owner or the Trustee shall have given written notice of such default to the Insurer and (2) such owner previously shall have given to the Trustee written notice of the default on account of which such suit, action or proceeding is to be taken, and unless the registered owners of not less than 10% in principal amount of the bonds then outstanding shall have made written request of the Trustee after the right to exercise such power or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted to the Trustee, or to institute such action, suit or proceeding in its name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the execution of any remedy. No one or more registered owners of the bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Ordinance, or to enforce any right thereunder except in the manner herein described. All proceedings at law or in equity shall be instituted, had and maintained in the manner herein described and for the benefit of all registered owners of the outstanding bonds.

(c) All rights of action under this Ordinance or under any of the bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the bonds, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name and for the benefit of all the owners of the bonds, subject to the provisions of this Ordinance.

(d) No remedy herein conferred upon or reserved to the Trustee, the Insurer or to the owners of the bonds 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.

(e) No delay or omission of the Trustee or of any owners of the bonds 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 by this Ordinance to the Trustee and to the owners of the bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

(f) Subject to the provisions of subparagraph (g) below, the Trustee may, and upon the written request of the owners of not less than a majority of the owners in principal amount of the bonds then outstanding 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 of this Ordinance 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.

(g) Notwithstanding the above, upon the occurrence and continuance of a default, the Insurer shall be deemed to be the sole holder of the bonds for all purposes under this Ordinance, including, without limitation, for purposes of exercising remedies and approving amendments.

Section 23. (a) The terms of this Ordinance shall constitute a contract between the City and the registered owners of the bonds. No variation or change in the undertaking herein set forth shall be made while any of the bonds are outstanding, except as hereinafter set forth in subsections (b) and (c).

(b) The Trustee may consent to any variation or change in this Ordinance without the consent of the owners of the outstanding bonds (i) in order to cure any ambiguity or correct any defect herein as the City may deem necessary or desirable and not inconsistent herewith or (ii) in order to make any other variation or change which the Trustee, upon receipt of an opinion of bond counsel, determines shall not materially adversely affect the interests of the owners of the bonds.

(c) The Insurer and owners of not less than 75% in aggregate principal amount of the bonds then outstanding shall have the right, from time to time, anything contained in this Ordinance to the contrary notwithstanding, to consent to and approve the adoption by the City of such ordinance supplemental hereto as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Ordinance or in any supplemental ordinance; provided, however, that nothing contained in this Section shall permit or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any bond, or (ii) a reduction in the principal amount of any bond or the rate of interest thereon, or (iii) the creation of a lien or pledge superior to the lien and pledge created by this Ordinance, or (iv) a privilege or priority of any bond or bonds over any other bond or bonds, or (v) a reduction in the aggregate principal amount of the bonds required for consent to such supplemental ordinance.

(d) The City shall send copies of any amendments or supplements to this Ordinance to the Insurer and the rating agencies which have assigned a rating to the bonds. Any amendments or supplements to this Ordinance shall require the prior written consent of the Insurer with the exception of amendments or supplements: (i) to cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in this Ordinance or in any supplement hereto, or (ii) to grant or confer upon the holders of the bonds any additional rights, remedies, powers, authority or security that may lawfully be granted or conferred upon the holders of the bonds, or (iii) to add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of this Ordinance other conditions, limitations and restrictions thereafter to be observed, or (iv) to add to the covenants and agreements of the City in this Ordinance other covenants and agreements thereafter to be observed by the City or to surrender any right or power therein reserved to or conferred upon the City, or (v) to issue additional bonds pursuant to Section 17 hereof.

Section 24. When the bonds have been executed, they shall be authenticated by the Trustee and the Trustee shall deliver the bonds to or at the direction of the Purchaser upon payment of the Purchase Price. Unless paid by the Purchaser as part of the Purchase Price, the amount necessary to pay the premiums for the Insurance Policy and the Reserve Policy shall be paid to the Insurer. The expenses of issuing the bonds as set forth in the delivery instructions to the Trustee signed by the Mayor and the City Clerk shall be paid from the Purchase Price. The amount necessary from the Purchase Price that is sufficient, along with other available moneys, to refund the Series 2010A Bond, shall be remitted to the owner of the Series 2010A Bond. The amount necessary from the Purchase Price that is sufficient, along with other available moneys, to refund the Series 2013 Bonds shall be remitted to the trustee for the owners of the Series 2013 Bonds. The amount necessary from the Purchase Price that is sufficient, along with other available moneys, to refund the Series 2015 Bonds, shall be remitted to the trustee for the owners of the Series 2015 Bonds. The remainder of the Purchase Price, if any, shall be deposited into the Bond Fund to pay interest on November 1, 2021.

Section 25. There shall be a statutory mortgage lien upon the water facilities which are part of the System (including all extensions, improvements and betterments now or hereafter existing) which shall exist in favor of the owners of the bonds, and each of them and such water facilities shall remain subject to such statutory mortgage lien until payment in full of the interest on and principal of the bonds, provided, however, that such statutory mortgage lien shall be interpreted according to the decision of the Supreme Court of the State in City of Harrison v. Braswell, supra.

Section 26. (a) The City covenants that it shall not take any action or suffer or permit any action to be taken or conditions to exist which causes or may cause the interest payable on the bonds to be included in gross income for federal income tax purposes. Without limiting the generality of the foregoing, the City covenants that the proceeds of the sale of the bonds and Revenues will not be used directly or indirectly in such manner as to cause the bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code.

(b) The City shall assure that (i) not in excess of 10% of the Net 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 Net 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 Net 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 System.

The City shall assure that not in excess of 5% of the Net 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 subsection (b), the following terms shall have the following meanings:

"Net Proceeds" means the face amount of the bonds, plus accrued interest, if any, and original issue premium and less original issue discount and any bond proceeds deposited into the Debt Service Reserve.

"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.

The City covenants that it will not enter into any wholesale water contracts with non-governmental entities for the sale of water by the City if such contracts will cause a violation of this Section.

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

(d) The City covenants that it will submit to the Secretary of the Treasury of the United States, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the bonds are issued, a statement required by Section 149(e) of the Code.

(e) The City expects to spend the proceeds of the Bonds within six months after the date the Bonds are issued and the City expects the proceeds of the Bonds to qualify for the exception to arbitrage rebate set forth in Section 148(f)(4)(B) of the Code.

(f) The City covenants that it will not reimburse itself from proceeds of the bonds for costs paid prior to the date the bonds are issued except in compliance with United States Treasury Regulation § 1.150-2 (the "Regulation"). This Ordinance shall constitute an "official intent" for purposes of the Regulation.

(g) The City will retain all documents and records pertaining to the bonds, the Bonds Refunded and the improvements financed and refinanced by the Bonds Refunded for the life of the bonds plus an additional three years.

Section 27. (a) Moneys held for the credit of the Bond Fund shall be continuously invested and reinvested pursuant to the direction of the City, and in the Trustee's discretion in the absence of such direction, in Permitted Investments (as hereinafter defined), all of which shall



mature, or which shall be subject to redemption by the holder thereof, at the option of such holder not later than the payment date for interest or principal and interest for moneys in the debt service portion of the Bond Fund.

(b) Moneys held for the credit of any other fund shall be continuously invested and reinvested pursuant to the direction of the City in Permitted Investments or other investments as may, from time to time, be permitted by State law, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when the moneys held for the credit of the particular fund will be required for the purposes intended.

(c) 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.

(d) "Permitted Investments" are defined as (i) direct or fully guaranteed obligations of the United States of America (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America ("Government Securities")), (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) demand deposits or certificates of deposit of banks, including the Trustee, which are insured by the FDIC or, if in excess of insurance coverage, collateralized by Government Securities or other investments authorized by State law to secure public funds or (iv) money market funds, including funds managed by the Trustee, invested exclusively in Government Securities or investments described in (ii) above.

Section 28. The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The recitals in this Ordinance and in the face of the bonds are the recitals of the City 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 Insurer or by the owners of not less than 10% in principal amount of the bonds then outstanding 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 60 days' notice in writing to the City Clerk, the Insurer and to the registered owners of the bonds. The Insurer, the City, so long as it is not in default under this Ordinance, or the majority in value of the registered owners of the outstanding bonds at any time, may, with or without cause, remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, the City shall appoint a new Trustee, such appointment to be evidenced by a written instrument or instruments filed with the Insurer and the City Clerk. The original Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trust imposed upon it or them by this Ordinance, but only upon the terms and conditions set forth in this Ordinance and subject to the provisions of this Ordinance, to all of which the respective owners of the bonds agree. Such written acceptance shall be filed with the City Clerk and a copy thereof shall be placed in the bond transcript. Any successor

Trustee shall have all the powers herein granted to the original Trustee. Notwithstanding the above, no removal, resignation or termination of the Trustee shall be effective until a successor Trustee, acceptable to the Insurer, shall have been appointed.

The Insurer shall receive prior written notice of any name change of the Trustee or the resignation or removal of the Trustee. Any trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets or (C) otherwise approved by the Insurer in writing.

Section 29. (a) The City shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Insurer. Interest shall accrue and be payable on such draws from the date of payment by the Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, at its principal office in the City of New York, New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the bonds and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, the Prime Rate shall be the publicly announced prime or base lending rate of such other bank, banking association or trust company bank as the Insurer, in its sole and absolute discretion, shall specify.

Repayment of draws under the Reserve Policy and accrued interest thereon at the Late Payment Rate ("Reserve Policy Payments") and payment of expenses ("Reserve Policy Expenses") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Reserve Policy Payments and Reserve Policy Expenses (collectively, "Reserve Policy Costs") related to such draw.

Amounts in respect of Reserve Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments, if any, in the Debt Service Reserve shall be transferred to the Bond Fund for payment of the debt service on the bonds before any drawing may be made on the Reserve Policy.

Payment of any Reserve Policy Cost shall be made prior to replenishment of any cash amounts in the Debt Service Reserve. Draws on the Reserve Policy shall be made after applying all available cash and investment, if any, in the Debt Service Reserve.

(b) Draws under the Reserve Policy may only be used to make payments on the bonds.

(c) If the City shall fail to pay any Reserve Policy Costs in accordance with the requirements of paragraph (a) above, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under this Ordinance other than remedies which would adversely affect owners of the bonds.

(d) This Ordinance shall not be discharged until all Reserve Policy Costs owing to the Insurer shall have been paid in full. The City's obligation to pay such amount shall expressly survive payment in full of the bonds.

(e) The Reserve Policy shall expire and terminate on the earlier of the date the bonds are no longer outstanding and the final maturity of the bonds.

(f) The Trustee shall ascertain the necessity for a claim under the Reserve Policy in accordance with the provisions of paragraph (a) above and provide notice to the Insurer at least five business days prior to each date upon which interest or principal is due on the bonds.

Section 30. (a) The City will provide the Insurer with all notices and other information it is obligated to provide under the Disclosure Agreement and to the holders of the bonds or the Trustee under this Ordinance.

The notice address of the Insurer is: Build America Mutual Assurance Company, 200 Liberty Street, 27<sup>th</sup> Floor, New York, New York 10281, Attention: Surveillance, Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: notices@buildamerica.com. In each case in which notice or other communication refers to an event of default or a claim on the Insurance Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214 and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(b) In the event that principal and/or interest due on the bonds shall be paid by the Insurer pursuant to the Insurance Policy, the bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, the assignment and pledge granted hereby and all covenants, agreements and other obligations of the City to the registered owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners.

In the event that on the second (2nd) business day prior to any payment date on the bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the bonds due on such payment date, the Trustee shall immediately notify the Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Insurer or its designee.

In addition, if the Trustee has notice that any holder of the bonds has been required to disgorge payments of principal of or interest on the bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such

holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the bonds as follows:

(i) If there is a deficiency in amounts required to pay interest and/or principal on the bonds, the Trustee shall (1) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holders of the bonds in any legal proceeding related to the payment and assignment to the Insurer of the claims for interest on the bonds, (2) receive as designee of the respective holders (and not as paying agent) in accordance with the tenor of the Insurance Policy payment from the Insurer with respect to the claims for interest so assigned, (3) segregate all such payments in a separate account (the "BAM Policy Payment Account") to only be used to make scheduled payments of principal of and interest on the bonds, and (4) disburse the same to such respective holders; and

(ii) If there is a deficiency in amounts required to pay principal of the bonds, the Trustee shall (1) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holder of the bonds in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the bonds surrendered to the Insurer, (2) receive as designee of the respective holders (and not as paying agent) in accordance with the tenor of the Insurance Policy payment therefore from the Insurer, (3) segregate all such payments in the BAM Policy Payment Account to only be used to make scheduled payments of principal of and interest on the bonds and (4) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement bond to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement bond shall have no effect on the amount of principal or interest payable by the City on any bond or the subrogation or assignment rights of the Insurer.

Payments with respect to claims for interest on and principal of bonds disbursed by the Trustee from proceeds of the Insurance Policy shall not be considered to discharge the obligation of the City with respect to such bonds, and the Insurer shall become the owner of such unpaid bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. This Ordinance shall not be discharged

or terminated unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the City and the Trustee agree for the benefit of the Insurer that:

(i) To the extent the Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the bonds, the Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the City with interest on bond principal (but not bond interest), as provided and solely from the sources stated in this Ordinance and the bonds; and

(ii) The Insurer will be paid the amount of such principal and interest, with interest on bond principal (but not bond interest), as provided herein and in the bonds, but only from the sources and in the manner provided herein and therein for the payment of principal of and interest on the bonds to holders, and the Insurer will be treated as the owner of such rights to the amount of such principal and interest.

(c) The City agrees unconditionally that it will pay or reimburse the Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of this Ordinance ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer spent in connection with the actions described in the preceding sentence.

Notwithstanding anything herein to the contrary, the City agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy; and (ii) interest on bond principal (but not bond interest) from the date paid by the Insurer until payment thereof in full by the City, payable to the Insurer at the stated interest rate for each such bond (collectively, the "Bond Insurer Reimbursement Amounts") compounded semi-annually. The City hereby covenants and agrees that the Bond Insurer Reimbursement Amounts are payable from and secured by a lien on and pledge of the System revenues on a parity with debt service due on the bonds.

(d) The rights granted to the Insurer under this Ordinance to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the bonds and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the holders of the bonds or any other person is required in addition to the consent of the Insurer.

(e) The Insurer shall be entitled to pay principal or interest on the bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City (as such terms are defined in the Insurance Policy) in accordance with this Ordinance, whether or not the Insurer has received a claim upon the Insurance Policy.

(f) Any amendment, supplement, modification to, or waiver of, this Ordinance that requires the consent of holders of the bonds or adversely affects the rights or interests of the Insurer shall be subject to the prior written consent of the Insurer.

(g) Any reorganization or liquidation plan with respect to the City must be acceptable to the Insurer. The Trustee and each owner of the bonds hereby appoint the Insurer as their agent and attorney-in-fact with respect to the bonds and agree that the Insurer may at any time during the continuation of any proceeding by or against the City under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (i) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (ii) the direction of any appeal of any order relating to any Claim, (iii) the posting of any surety, supersedeas or performance bond pending any such appeal, and (iv) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each owner of the bonds delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Trustee and each owner of the bonds with respect to the bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any Insolvency Proceeding.

(h) Anything in this Ordinance to the contrary notwithstanding, upon the occurrence and continuance of a default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the bonds or the Trustee for the benefit of the holders of the bonds under this Ordinance. No default may be waived without the Insurer's written consent.

(i) If an Insurer Default (as defined below) shall occur and be continuing, then, notwithstanding anything herein to the contrary, (1) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Insurance Policy, to the extent of such payment the Insurer shall be treated like any other holder of the bonds for all purposes, including giving of consents, and (2) if the Insurer has not made any payment under the Insurance Policy, the Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) the Insurer has failed to make any payment under the Insurance Policy when due and owing in accordance with its terms; or (B) the Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party



or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

(j) The Insurer is recognized as and shall be deemed to be a third party beneficiary of this Ordinance and may enforce the provisions of this Ordinance.

(k) No grace period shall be permitted for payment defaults on the bonds. No grace period for a covenant default shall exceed 30 days without the prior written consent of the Insurer.

Section 31. In the event the office of Mayor, City Clerk, City 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.

Section 32. All moneys in any bond funds or debt service reserve funds maintained in connection with the Bonds Refunded are hereby appropriated and shall be used as necessary to refund the Bonds Refunded, with any balance to be transferred to the Bond Fund.

Section 33. The Reserve Agreement, in substantially the form submitted to this meeting, is hereby approved, and the Mayor and the City Clerk are hereby authorized and directed to execute and deliver the Reserve Agreement on behalf of the City, and the Mayor and other officers of the City are authorized to execute and deliver such undertakings as may be appropriate to the securing of the Reserve Policy.

Section 34. The Mayor is hereby authorized and directed to work with Friday, Eldredge and Clark, LLP, as bond counsel, to review and revise, as needed, its written procedures to monitor compliance with federal tax requirements with respect to tax-exempt obligations of the City.

Section 35. The provisions of this Ordinance 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 of this Ordinance.

Section 36. All ordinances and resolutions or parts thereof in conflict herewith are hereby repealed to the extent of such conflict.



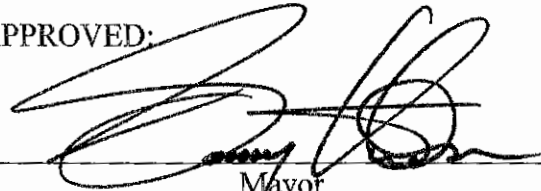
Section 37. It is hereby ascertained and declared that the Refunding must be accomplished as soon as possible in order to lower the interest cost on System Bonds. The Refunding cannot be accomplished without the issuance of the bonds, which cannot be sold at the interest rates specified herein unless this Ordinance is immediately effective. Therefore, it is declared that an emergency exists and this Ordinance being necessary for the preservation of the public peace, health and safety shall be in force and take effect immediately upon and after its passage.

PASSED: April 19, 2021.

ATTEST:

  
City Clerk

APPROVED:

  
Mayor

(SEAL)



CERTIFICATE

The undersigned, City Clerk of the City of Prairie Grove, Arkansas, hereby certifies that the foregoing pages are a true and correct copy of Ordinance No. 2021-11, adopted at a regular session of the City Council of the City of Prairie Grove, held at the regular meeting place of the City Council in the City at 6:30 p.m., on the 19th day of April, 2021, and that said Ordinance is of record in Ordinance Record Book No. 2021, Page 11, now in my possession.

GIVEN under my hand and seal this 19th day of April, 2021.

Christine Keely  
City Clerk

(SEAL)

