

ORDINANCE NO. 781

AN ORDINANCE AUTHORIZING IMPROVEMENTS TO THE WATER FACILITIES OF THE CITY OF MONTICELLO, ARKANSAS WATER AND SEWER SYSTEM; 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 Monticello, Arkansas (the "**City**") owns and operates municipal water and sewer facilities, which are operated as a single, integrated municipal undertaking (the "**System**") by the City;

WHEREAS, the City has determined that, purchasing and installing betterments to the water facilities of the System (the "**Improvements**") are necessary in order to make the services thereof adequate for the needs of the City; and

WHEREAS, the Improvements consist of (i) the purchase and installation of automated water meters, (ii) water lines rehabilitation throughout the City's System, including the replacement of water mains, fire hydrants, and shut-off valves and (iii) purchase of a new utility billing system, and incidental costs related thereto; and

WHEREAS, the City desires that a portion of the costs of the Improvements be financed with Water and Sewer Revenue Capital Improvement Bonds, Series 2013 to be issued by the City in the principal amount of \$10,000,000 (the "**Bonds**"); and

WHEREAS, the City has made arrangements for the sale of the Bonds to Stephens Inc. (the "**Purchaser**") at a price of \$9,822,569.06 (being the principal amount of the Bonds less net reoffering discount of \$110,872.40, less underwriter's discount of \$77,500.00 plus accrued interest of \$10,941.46) (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 October 25, 2013, offering the Bonds for sale, (the "**Preliminary Official Statement**"), has been presented to and is before this meeting; and

WHEREAS, in order to comply with applicable securities laws, it is necessary that the City enter into a Continuing Disclosure Agreement (the "**Disclosure Agreement**"), with Union Bank & Trust Company, Monticello, Arkansas, as trustee for the holders of the Bonds (the "**Trustee**"), providing for continuing disclosure of relevant information concerning the Bonds, and a copy of the Disclosure Agreement has been presented to and is before this meeting; and

WHEREAS, the City contemplates financing the remainder of the costs of the Improvements through the issuance of its Water and Sewer Revenue Capital Improvement Bonds, Series 2014 (the "**2014 Bonds**");

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

Section 1. The Improvements shall be accomplished. The City shall make all contracts and agreements necessary or incidental to accomplishing the Improvements.

Section 2. The City Council hereby finds and declares that the period of usefulness of the System will be more than 30 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 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.

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, be and he is hereby authorized and directed, for and on behalf of the City, to execute the Preliminary Official Statement and the final Official Statement as set forth in the Purchase Agreement.

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 and other City officials are authorized and directed to take all action required on the part of the City to fulfill its obligations under the Disclosure Agreement.

Section 4. Under the authority of the Constitution and laws of the State of Arkansas (the "State"), including particularly Title 14, Chapter 235, Subchapter 2, Title 14, Chapter 234, 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) the Bonds are hereby authorized and ordered issued in the aggregate principal amount of \$10,000,000.00. The Bonds shall be dated December 1, 2013, with interest payable semiannually on June 1 and December 1 of each year, commencing June 1, 2014, shall be numbered consecutively from 1 upward, in order of issuance, and shall be in the denomination of \$5,000 or an integral multiple thereof. Each Bond shall have a CUSIP number. The Bonds shall mature on December 1 in each of the years, in amounts and bear interest as follows:

Maturity	Amount	Rate (%)
12/01/2014	\$ 205,000.00	1.000%
12/01/2015	\$ 210,000.00	1.500%
12/01/2016	\$ 210,000.00	2.000%
12/01/2017	\$ 215,000.00	2.000%
12/01/2018	\$ 220,000.00	2.000%
12/01/2019	\$ 225,000.00	2.050%
12/01/2020	\$ 230,000.00	2.400%
12/01/2021	\$ 235,000.00	2.750%
12/01/2022	\$ 240,000.00	2.900%
12/01/2023	\$ 250,000.00	3.100%
12/01/2024	\$ 255,000.00	3.300%
12/01/2025	\$ 265,000.00	3.450%
12/01/2026	\$ 275,000.00	3.600%
12/01/2027	\$ 285,000.00	3.800%
12/01/2028	\$ 295,000.00	4.000%
12/01/2033*	\$ 1,675,000.00	4.375%
12/01/2038*	\$ 2,085,000.00	4.625%
12/01/2043*	\$ 2,625,000.00	4.750%

***Term Bond**

The Bonds shall be registered as to principal and interest. Principal is payable at the principal office of the Trustee. Payment of interest shall be by check or draft mailed to the registered owner at the address shown on the registration book of the City maintained by the Trustee. The Bonds shall bear interest from the dates and shall be subject to redemption prior to maturity as hereinafter set forth in the bond form.

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.

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 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, 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 the Bonds that are inconsistent with their obligations to any registered owner under this Ordinance.

Only such Bonds as shall have endorsed thereon a Certificate of Authentication substantially in the form set forth in Section 6 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 corporate trust 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 on 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.

Section 5. 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 operation of the System ("**System Revenues**") which 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 any constitutional or statutory limitation.

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

The City covenants and agrees that the rates established shall never be reduced while any of the Bonds are outstanding and that the rates established will produce System Revenues at least sufficient to pay 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 utility facilities (other than depreciation, interest and amortization of deferred bond discount expense), pay principal of and interest on all outstanding bonds and other debt obligations to which System Revenues are pledged (“**System Bonds**”), maintain debt service reserves at the required levels, and provide the amount required to be set aside for the Depreciation Fund (described below). The City further covenants that the rates shall, if and when necessary from time to time, be increased in such manner as will produce “net revenues,” as defined in Section 9 of this Ordinance, at least equal to 120% of each year’s required payments of principal, premium, if any and interest on all System Bonds.

The System shall be continuously operated as revenue-producing undertaking, and the City will not sell or lease the same, or any substantial portion thereof; provided that nothing 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, and all moneys received from its operation 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 shall hold membership in the Federal Deposit Insurance Corporation (“**FDIC**”).

It is covenanted and agreed by the City with the registered owners of the Bonds, or any of them, that the City will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State, including the charging and collecting of reasonable and sufficient rates lawfully established for services rendered by the System, the segregating of System Revenues as herein required, and the applying of System Revenues to the respective funds or accounts herein created or referred to.

Section 6. The Bonds 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. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF ARKANSAS
COUNTY OF DREW
CITY OF MONTICELLO
WATER AND SEWER REVENUE
CAPITAL IMPROVEMENT BOND
SERIES 2013

INTEREST RATE	MATURITY DATE	ISSUE DATE	CUSIP No.
_____ %	_____	DECEMBER 1, 2013	_____

REGISTERED OWNER: CEDE & Co.
PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

The City of Monticello, County of Drew, 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, or registered assigns, upon the presentation and surrender hereof at the principal corporate office of Union Bank & Trust Company, Monticello, Arkansas, or its successor or successors, as Trustee (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 June 1, 2014 and semiannually thereafter on the first days of June and December of each year, until payment of such Principal Amount or, if this bond or a portion hereof shall be duly called for redemption, until the date fixed for redemption, and to pay interest on overdue principal and interest (to the extent 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 interest 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 Monticello, Arkansas Water and Sewer Revenue Capital Improvement Bonds, Series 2013, aggregating Ten Million Dollars (\$10,000,000.00), in principal amount (the “**Bonds**”), and is issued for the purpose of financing a portion of the costs of purchasing and installing improvements to the City’s consolidated water and sewer system (the “**System**”), funding a Debt Service Reserve Fund, and paying expenses of issuing the Bonds.

THE BONDS ARE ISSUED PURSUANT TO AND IN FULL COMPLIANCE WITH THE CONSTITUTION AND LAWS OF THE STATE OF ARKANSAS, 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 ARKANSAS, INCLUDING PARTICULARLY CITY OF HARRISON V. BRASWELL, 209 Ark. 1094, 194 S.W.2d 12 (1946), AND PURSUANT TO ORDINANCE NO. 781, DULY ADOPTED ON NOVEMBER 5, 2013 (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 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 2013 Bond Fund. 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 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, for the payment of the principal of and interest on all bonds payable from System revenues, with Trustee’s fees, as the same become due and payable, to establish and maintain debt service reserves and to make required deposits for the depreciation of the System.

The Bonds shall be subject to optional, extraordinary and mandatory sinking fund redemption as follows:

(1) Optional Redemption. The Bonds are subject to redemption at the option of the City, from funds from any source, on and after December 1, 2018, in whole at any time or in part on any interest payment date 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 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) Extraordinary Redemption. The Bonds must be redeemed from proceeds of the Bonds not needed for purposes intended, on any interest payment date, in whole or in part, at a price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee may determine).

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on December 1 in the years 2033, 2038, and 2043 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on December 1 in 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 December 1, 2033

<u>Years</u>	<u>Principal Amounts</u>
2029	\$305,000.00
2030	\$320,000.00
2031	\$335,000.00
2032	\$350,000.00
2033 (maturity)	\$365,000.00

Bonds Maturing December 1, 2038

<u>Years</u>	<u>Principal Amounts</u>
2034	\$380,000.00
2035	\$400,000.00
2036	\$415,000.00
2037	\$435,000.00
2038 (maturity)	\$455,000.00

Bonds Maturing December 1, 2043

<u>Years</u>	<u>Principal Amounts</u>
2039	\$475,000.00
2040	\$500,000.00
2041	\$525,000.00
2042	\$550,000.00
2043(maturity)	\$575,000.00

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 either first class mail, postage prepaid, or via other standard means of transmission, including electronic or facsimile communication, to all registered owners of Bonds to be redeemed. Failure to mail 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 exchangeable or 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 of Arkansas shall govern its construction.

No charge shall be made to the owner of any Bond for the privilege of registration, but any owner requesting any such registration shall pay any tax or 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. Neither the City nor the Trustee shall be required to transfer or exchange any Bond selected for redemption in whole or in part.

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.

THE CITY HAS DESIGNATED THIS BOND AS A "QUALIFIED TAX-EXEMPT OBLIGATION" WITHIN THE MEANING OF SECTION 265(b) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

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 Monticello, Arkansas has caused this bond to be executed by its Mayor and City Clerk, thereunto duly authorized, and its corporate seal to be impressed or imprinted on this bond, all as of the Dated Date shown above.

CITY OF MONTICELLO, ARKANSAS

By: Allen M. Mynatt
Mayor

ATTEST:

By: Andrea J. Chambers
City Clerk

(SEAL)



(Form of Trustee's Certificate)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds designated Water and Sewer Revenue Capital Improvement Bonds, Series 2013, in and issued under the provisions of the within mentioned Authorizing Ordinance.

Date of Authentication: November 5, 2013

Union Bank & Trust Company
Monticello, Arkansas,
TRUSTEE

By: Maii J. Helm
Authorized Signature

(A Form of Assignment shall be affixed to the bonds)

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Section 7. All System Revenues shall be deposited upon receipt into a special account of the City created by this Ordinance and designated "System Revenue Fund." System Revenues in the System 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 the Bonds and other permitted System Bonds, to the maintenance of debt service reserves at required levels, and otherwise as described herein. Any surplus in the System Revenue Fund, after making all disbursements required by the provisions of this Ordinance and making full provision for the funds hereby provided, may be used, at the option of the City, for any lawful municipal purpose.

Section 8. (a) On or before the first business day of each month, there shall be paid from the System Revenue Fund into a special fund hereby created and designated "Operation and Maintenance Fund," the estimated amount necessary, together with moneys then held for the credit of the Operation and Maintenance Fund, to pay the operation and maintenance expenses of the System for such month. 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 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.

(b) On the first business day of each month, after making the required payment into the Operation and Maintenance Fund, there shall be paid from the System Revenue Fund into a special fund hereby created and designated "2013 Bond Fund" the amount equal to the required monthly deposit into the Fund. If the City issues any additional parity bonds, the obligation to make payments into the bond funds for those bonds shall rank on a parity of security with the obligation to make payments into the 2013 Bond Fund. In the event the System Revenues remaining after the required monthly deposit into the Operation and Maintenance Fund are insufficient to make the full monthly deposits into the 2013 Bond Fund and the bond funds for the additional parity bonds, the amount deposited into each shall be reduced proportionately.

(i) The required monthly deposit into the 2013 Bond Fund shall be an amount equal to 1/6 of the next installment of interest (or an amount sufficient to provide for such interest installment by way of equal monthly payments) and 1/12 of the next installment of principal (whether at maturity or upon mandatory sinking fund redemption) on the Bonds, (or an amount sufficient to provide for such principal installment by way of equal monthly payments) plus such additional sums as necessary to provide for the fees and expenses of the Trustee for the Bonds, plus any arbitrage rebate due the United States Treasury under Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code") on account of arbitrage earnings on proceeds of the Bonds.

All moneys in the 2013 Bond Fund shall be used solely for the purpose of paying the principal of, premium, if any, and interest on the Bonds when due, Trustee's fees, and the amounts necessary to pay any arbitrage rebate due the

United States Treasury under Section 148(f) of the Code on account of arbitrage earnings on the gross proceeds of the Bonds, except as herein specifically provided. When the aggregate moneys held in the 2013 Bond Fund, and the 2013 Debt Service Reserve Fund (hereinafter created), shall be and remain sufficient to make all principal and interest payments and to pay all fees due, the City shall not be obligated to make any further payments into the 2013 Bond Fund.

The Bonds shall be specifically secured by a pledge of all System Revenues required to be placed into the 2013 Bond Fund. 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.

The City shall receive a credit against monthly deposits into the 2013 Bond Fund from Bond proceeds deposited therein, all interest earning on moneys in the 2013 Bond Fund and for transfers into the 2013 Bond Fund derived from earnings in the 2013 Debt Service Reserve Fund during the preceding month as hereinafter provided. The depository of the 2013 Bond Fund shall be and remain the Trustee.

(c) After making the monthly deposits into the Operation and Maintenance Fund, and the 2013 Bond Fund, the City shall make any required payments into "2013 Debt Service Reserve Fund," which is hereby created. The obligations to make required deposits into the 2013 Debt Service Reserve Fund and debt service reserve funds for any additional parity bonds shall rank on a parity of security and, if System Revenues remaining after required deposits into the Operation and Maintenance Fund, the 2013 Bond Fund and bond funds for any additional parity bonds are insufficient to make the required deposits in full, the amount deposited into each Debt Service Reserve Fund shall be reduced proportionately.

In the event the amount in the 2013 Debt Service Reserve Fund is ever reduced to less than the 2013 Debt Service Reserve Fund Requirement, it shall be restored to an amount equal to the 2013 Debt Service Reserve Fund Requirement in twelve substantially equal payments from the System Revenue Fund on the first business day of each month. The depository of the 2013 Debt Service Reserve Fund shall be and remain the Trustee. The 2013 Debt Service Reserve Fund Requirement is an amount equal to one-half of the maximum annual principal and interest requirements on the Bonds. The 2013 Debt Service Reserve Fund shall be funded with proceeds of the Bonds.

If for any reason there shall be a deficiency in the payments made into the 2013 Bond Fund so that there are unavailable sufficient moneys therein to pay the principal of, premium, if any, and interest on the Bonds as the same become due, any sums then held in the 2013 debt Service Reserve Fund shall be used to the extent necessary to pay such principal, premium, interest and fees of the Trustee, but the 2013 Debt Service Reserve Fund shall be reimbursed as described above. The 2013 Debt Service Reserve Fund shall be used solely as herein described, but the moneys therein may be invested as set forth below. Any earnings on moneys in the 2013 Debt Service Reserve Fund which increase the amount therein above the 2013 Debt Service Reserve Requirement Fund shall be transferred into the 2013 Bond Fund.

(d) After making the deposits and disbursements required by paragraphs (a) through (c), there shall be paid from the System Revenue Fund into a fund hereby created and designated "Depreciation Fund," on the first business day of each month, 4% of the gross System Revenues for the preceding month. Moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of replacements made necessary by the depreciation of the System; provided, however, in the event that no other funds are available therefor the moneys in the Depreciation Fund may be used to the extent necessary to prevent default in the payment of principal and interest on any obligations of the System, and Trustees' fees. If in any fiscal year a surplus shall be accumulated in the Depreciation Fund over and above the amount necessary to defray the cost of the probable replacement during the then current fiscal year and the next ensuing fiscal year, such surplus shall be transferred to the Revenue Fund.

(e) Moneys remaining in the System Revenue Fund after making all required monthly fund deposits may be used for any lawful municipal purpose.

Section 9. So long as any Bonds are outstanding under the provisions of this Ordinance, the City shall not issue any bonds claimed to be entitled to a priority of lien on the net revenues of the System over the lien securing the Bonds.

The City reserves the right to issue additional bonds to finance or refinance the cost of constructing any extensions, betterments or improvements to the System, but the City shall not authorize or issue any such additional bonds ranking on a parity with the outstanding Bonds unless and until there shall have been procured and filed with the City Clerk and the Trustee a statement by an independent certified public accountant not in the regular employ of the City ("**Accountant**") reciting the opinion, based upon necessary investigation, that either (1) net revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds were equal to not less than 120% of the average annual principal and interest requirements on all the then outstanding System Bonds and the additional bonds then proposed to be issued, or (2) net revenues of the System for the next ensuing fiscal year, including any increase in revenues attributable to the proposed extensions, betterments and improvements as reflected by the written opinion of a duly qualified consulting engineer not in the regular employ of the City ("**Engineer**"), shall be equal to not less than 120% of the average annual principal and interest requirements on all the then outstanding System Bonds and the additional bonds then proposed to be issued. For the purposes of the computation required by this paragraph, additional amounts may be added to the net revenues of the completed fiscal year immediately preceding the issuance of additional bonds, as follows: if, prior to the issuance of the additional bonds and subsequent to the first day of such preceding fiscal year, the City shall have increased its rates or charges imposed for services of the System there may be added to the net revenues of such fiscal year the additional net revenues which would have been received from the operation of the System during such fiscal year had such increase been in effect throughout such fiscal year, as reflected by a certificate of an Engineer.

The term "**net revenues**" as used in this Section shall mean gross System Revenues less the expense of operation and maintenance of the System under generally accepted accounting principals applicable to municipal utility systems, excluding depreciation, interest and bond amortization expenses.

So long as the 2014 Bonds are issued by the City in an aggregate principal amount of not to exceed \$1,500,000, the pledge of System Revenues in favor of the 2014 Bonds may be on a parity with the pledge of System Revenues in favor of the Bonds without complying with the additional parity bonds requirements set forth in this Section.

Notwithstanding satisfaction of the other conditions to the issuance of additional bonds as set forth in this Section, no such issuance may occur if a default or breach (or any event which, once all notice or grace periods have passed, would constitute a breach) exists unless such breach shall be cured upon such issuance.

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

Section 10. Any Bond shall be deemed to be paid within the meaning of this Ordinance when payment of the principal of and interest on such 2013 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 sufficient to make such payment and/or (2) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series) (“**Defeasance 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 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 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 Defeasance Securities.

When all the Bonds shall have been paid within the meaning of this Ordinance, if the Trustee has been paid its fees and expenses and if any arbitrage rebate due the United States Treasury has been paid or provided for to the satisfaction of the Trustee, 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 Defeasance Securities there shall be considered the principal amount of such Defeasance Securities and interest to be earned thereon until the maturity of such Defeasance Securities.

Section 11. (a) (i) If there be any default in the payment of the principal of, premium, if any, or interest on any of the Bonds, (ii) if the City declares bankruptcy, or (iii) 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 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 Arkansas. 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 written request of 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 Arkansas 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 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 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 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) 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) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the City or arbitrage rebate only after payment of past due and current debt service on the Bonds and amounts required to restore the 2013 Debt Service Reserve Fund to the 2013 Debt Service Reserve Fund Requirement.

Section 12. (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 that the Trustee determines shall not materially adversely affect the interests of the owners of the Bonds.

(c) The 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 reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

Section 13. The Bonds shall be delivered to the Trustee, and the Trustee shall authenticate them and deliver them to the Purchaser upon payment of the Purchase Price (the “**total sale proceeds**”). The Trustee shall handle the total sale proceeds as follows:

(1) The Trustee shall deposit the amount of the accrued interest into the Bond Fund.

(2) The expenses of issuing the Bonds as set forth in the delivery instructions to the Trustee signed by the Mayor shall be paid from the Purchase Price. The Trustee is

authorized to establish a cost of issuance account from which to pay these expenses and the premiums.

(3) The Trustee shall deposit the amount from the Purchase Price equal to the 2013 Debt Service Reserve Requirement into the 2013 Debt Service Reserve Fund.

(4) The Trustee shall deposit the balance of the total sale proceeds into a special account of the City to be held with the Trustee and hereby created and designated "Project Fund." The moneys in the Project Fund shall be disbursed solely in payment of the cost of accomplishing the Project, paying necessary expenses incidental thereto and paying expenses of issuing the Bonds. Disbursements shall be on the basis of checks or requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. Each requisition must be signed by the Finance Director of the City and one other person designated by the Mayor. Upon submission of a valid requisition, the Trustee shall issue its check upon the Project Fund payable to the person, firm or corporation designated in the requisition. The Trustee shall keep accurate records as to all payments from the Project Fund.

When the Project has been completed and all required expenses paid and expenditures made from the Project Fund for and in connection with the accomplishment of the Project and the financing thereof, this fact, if there are moneys in the Project Fund, shall be evidenced by a certificate signed by the Mayor, which certificate shall state, among other things, the date of the completion and that all obligations payable from the Project Fund have been discharged. A copy of the certificate shall be filed with the Trustee, and upon receipt thereof, the Trustee shall transfer any remaining balance into the Bond Fund for the purpose of redeeming the Bonds.

Section 14. 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 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 and to the registered owners of the Bonds, and the City, so long as the City is not in default under this Ordinance or the majority in value of the registered owners of the outstanding Bonds at any time, with or without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, the City shall appoint a new Trustee, such appointment to be evidenced by a written instrument or instruments filed with the City Clerk. Every successor Trustee appointed pursuant to this Section shall be a trust company or bank in good standing, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capitalized surplus of not less than \$10,000,000. 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. The Trustee's resignation shall become effective upon the acceptance of the trusts by the successor Trustee. Notwithstanding the above, neither the removal of the Trustee nor the resignation by the Trustee shall be effective until a successor Trustee shall have been appointed.

Section 15. (a) The City covenants that it shall not take any action or suffer or permit any action to be taken or condition to exist which causes the interest payable on the Bonds to be subject to federal income taxation. Without limiting the generality of the foregoing, the City represents and covenants that the proceeds of the sale of the Bonds and System 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. The City covenants to pay to the United States Treasury any arbitrage rebate due under Section 148 of the Code at the times required by 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 and original issue premium and less original issue discount.

"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.

(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 not be reimbursed from proceeds of the Bonds for costs paid prior to the date the Bonds are issued except in compliance with United States Treasury Regulation No. 1.150-2.

(e) 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.

(f) The City covenants that it will, in compliance with the requirements of Section 148(f) of the Code, pay with moneys in the Bond Fund to the United States Government in accordance with the requirements of Section 148(f) of the Code, from time to time, an amount equal to the sum of (1) the excess of (A) the amount earned on all Non-purpose Investments (as therein defined) attributable to the Bonds, other than investments attributable to such excess over (B) the amount which would have been earned if such Non-purpose Investments attributable to the Bonds were invested at a rate equal to the Yield (as defined in the Code) on the Bonds, plus (2) any income attributable to the excess described in (1), subject to the exceptions set forth in Section 148 of the Code. The City further covenants that in order to assure compliance with its covenants herein, it will employ a qualified consultant to advise the City in making the determination required to comply with this subsection. Anything herein to the contrary notwithstanding, the City need not comply with this provision if in the opinion of Bond Counsel filed with the Trustee, the failure to comply would not affect the tax-exempt status of interest on the Bonds for federal income tax purposes.

(g) The Bonds are hereby designated as “qualified tax-exempt obligations” within the meaning of the Code. The City represents that the aggregate principal amount of its qualified tax-exempt obligations (excluding “private activity bonds” within the meaning of Section 141 of the Code which are not “qualified 501(c)(3) bonds” within the meaning of Section 145 of the Code), including those of its subordinate entities, issued in calendar year 2013 will not exceed \$10,000,000.

Section 16. (a) Moneys held for the credit of the Bond Fund may be invested and reinvested in Permitted Investments (as herein defined), all of which shall mature or which shall be subject to redemption by the holder thereof, at the options of such holder, not later than the payment date for interest or principal and interest.

(b) Moneys held for the credit of the 2013 Debt Service Reserve Fund shall be invested and reinvested in Permitted Investments, 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 ten (10) years after the date of investment or the maturity date of the Bonds, whichever is earlier.

(c) Moneys held for the credit of the Project Fund shall be invested and reinvested in Permitted Investments, 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 date on which such moneys are needed for the purposes intended.

(d) Moneys held by the credit of any other fund, shall be continuously invested and reinvested by the City in Permitted Investments or other investments as may from time to time be permitted by 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 purposes intended.

(e) Obligations purchased as an investment of any fund or account shall be deemed at all times a part of such fund. Any profit or loss realized on investments of moneys in any fund shall be charged to said fund.

(f) The Trustee shall so invest and reinvest moneys held by it pursuant to the direction of the City and in the Trustee's discretion in the absence of any direct instructions from the City.

(g) "**Permitted Investments**" are defined to mean:

(1) Direct obligations of fully guaranteed obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("**Government Securities**");

(2) Obligations guaranteed as to payment of principal and interest by the United States of America ("**Government Guaranteed Securities**");

(3) Cash (insured at all times by the FDIC or otherwise collateralized with obligations described in clauses (1) or (2) above);

(4) Certificates of deposit and time deposits of banks, including the Trustee, which are members of the FDIC to the extent insured by FDIC, or if in excess of insurance coverage, are collateralized by Government Securities or Government Guaranteed Securities;

(5) Investments in a money market fund including funds managed by the Trustee consisting primarily of Government Securities or Government Guaranteed Securities; and

(6) Investment agreements providing for the purchase of Government Securities.

(h) The value of the Permitted Investments shall be determined as follows: "**Value,**" which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

(i) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New*

York Times: the average of the bid and asked prices for such investments so published on or more recently prior to such time of determination;

(ii) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments for the bid price published by a nationally recognized pricing service;

(iii) as to certificates of deposit: the face amount thereof, plus accrued interest;

(iv) and as to any investment not specified above: the value thereof established by prior agreement among the City and the Trustee.

Section 17. The City will keep proper books of accounts and records (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. Such books shall be available for inspection by the registered owner of any Bond 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 shall be delivered to the Trustee within 270 days after the end of the fiscal year and made available to registered owners requesting the same in writing. In the event that the City fails or refuses to make the audit, the Trustee or any registered owner of a Bond may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

Section 18. The City covenants and agrees that it will maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. While any of the Bonds are outstanding, the City agrees that, to the extent comparable protection is not otherwise provided to the satisfaction of the Trustee, it will insure and at all times keep insured in the amount of the full insurable value thereof, and with a responsible insurance company or companies selected by the City and 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 business, against loss or damage thereto from fire, lightning, tornadoes, winds, riots, strike, civil commotion, malicious damage, explosion and against any other loss or damage from any other causes customarily insured against by private companies engaged in similar types of business. Insurance policies are to carry a clause making them payable to the City and the Trustee as their interests may appear, and are either to be placed in the custody of the Trustee or satisfactory evidence of said insurance shall be filed with the Trustee. In the event of a loss, the proceeds of such insurance shall be applied solely toward the reconstruction, replacement or repair of the System. 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 System Revenue Fund. 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 surplus moneys in the System 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.

Section 19. 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 Trustee and 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 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 20. Nothing in this Ordinance, expressed or implied, is intended to give any person or entity, other than the City, the Trustee, and the owners of the Bonds, any right, remedy or claim.

Section 21. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the City, the Trustee and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee and the registered owners of the Bonds.

Section 22. The City covenants that it will not sell or lease the System, 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. All revenues derived from such dispositions shall be deposited into the System Revenue Fund. Proceeds of any sale, lease or other disposition of the System pursuant to this Section that are deposited into the System Revenue Fund shall not be offset from amounts for which the City is obligated to establish rates under Section 5 of this Ordinance.

Section 23. The Mayor and City Clerk are authorized to execute and deliver such undertakings as may be appropriate for the issuance of the Bonds.

Section 24. All ordinances and resolutions or parts thereof, in conflict herewith are hereby repealed to the extent of such conflict.

Section 25. 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: November 5, 2013.

APPROVED:

By: *Celso M. Williams*
Mayor

ATTEST:

By: *Andrea J. Chambers*
City Clerk

(SEAL)



CERTIFICATE

The undersigned, City Clerk of the City of Monticello, Arkansas (the "City"), hereby certifies that the foregoing pages are a true and correct copy of Ordinance No. 781, passed at a special session of the City Council of the City, held at the regular meeting place of the Council, at 6:00 o'clock p.m. on the 5th day of November, 2013, and that the Ordinance is of record in Ordinance Record Book No. 4 at Page 43, now in my possession.

GIVEN under my hand and seal this 5th day of November, 2013.

Andre J. Chambers

City Clerk

(SEAL)

