

ORDINANCE NO. 2153

AN ORDINANCE AUTHORIZING THE ISSUANCE OF SALES AND USE TAX REFUNDING BONDS FOR THE PURPOSE OF REFINANCING THE COST OF CAPITAL IMPROVEMENTS; PLEDGING A 1% SALES AND USE TAX TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS; PRESCRIBING OTHER MATTERS RELATING THERETO; AND DECLARING AN EMERGENCY.

WHEREAS, the City of Eureka Springs, Arkansas (the "City") has previously issued, under Amendment No. 62 to the Constitution of the State of Arkansas and Title 14, Chapter 164, Subchapter 3 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), its Sales and Use Tax Refunding and Improvement Bonds, Series 2007 (the "Series 2007 Bonds") for the purpose of financing and refinancing the costs of capital improvements; and

WHEREAS, the City Council has determined the City will be able to achieve debt service savings by refunding the Series 2007 Bonds; and

WHEREAS, the City can obtain the necessary funds for the refunding of the Series 2007 Bonds (the "Refunding") by the issuance of Sales and Use Tax Refunding Bonds, Series 2012, in the aggregate principal amount of \$3,375,000 (the "Series 2012 Bonds") and by appropriating available funds held for the Series 2007 Bonds; and

WHEREAS, the City has made arrangements for the sale of the Series 2012 Bonds to Stephens Inc. (the "Purchaser"), at a price of \$3,341,893.80 (principal amount plus original issue premium of \$17,518.80 less underwriter's discount of \$50,625) plus accrued interest (the "Purchase Price"), pursuant to a Bond Purchase Agreement between the Purchaser and the City (the "Agreement"), which has been presented to and is before this meeting; and

WHEREAS, the Preliminary Official Statement, dated May 17, 2012, offering the Series 2012 Bonds for sale (the "Preliminary Official Statement"), has been presented to and is before this meeting; and

WHEREAS, the Continuing Disclosure Agreement between the City and BancorpSouth Bank, Stuttgart, Arkansas, (the "Disclosure Agreement"), providing for the disclosure obligations of the City with respect to the Series 2012 Bonds, has been presented to and is before this meeting;

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

Section 1. The Refunding shall be accomplished, and the Mayor and City Clerk are hereby authorized to take all action necessary in connection therewith and to execute all required contracts and documents. The Series 2007 Bonds shall be called for redemption on

October 1, 2012, or the earliest practicable date thereafter, at a redemption price equal to the principal amount outstanding plus accrued interest.

Section 2. The offer of the Purchaser for the purchase of the Series 2012 Bonds from the City at the Purchase Price, for Series 2012 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 be, and is hereby accepted and the Agreement, in substantially the form submitted to this meeting, is approved and confirmed and the Series 2012 Bonds are hereby sold to the Purchaser. The Mayor is hereby authorized and directed to execute and deliver the Agreement on behalf of the City and to take all action required on the part of the City to fulfill its obligations under the Agreement.

Section 3. 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 Series 2012 Bonds is hereby in all respects approved and confirmed, and the Mayor be and he hereby is 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 to be delivered to the Purchaser for use in connection with the sale of the Series 2012 Bonds as set forth in the Agreement.

Section 4. Under the authority of the Constitution and laws of the State, including particularly Amendment No. 62 to the Constitution of the State and Title 14, Chapter 164, Subchapter 3 of the Arkansas Code of 1987 Annotated, City of Eureka Springs, Arkansas Sales and Use Tax Refunding Bonds, Series 2012 are hereby authorized and ordered issued in the total principal amount of \$3,375,000, the proceeds from the sale of which are necessary, along with available funds, to accomplish the Refunding, pay expenses incidental thereto, provide a debt service reserve and pay expenses of issuing the Series 2012 Bonds. The Series 2012 Bonds and any Additional Parity Bonds issued under Section 11 hereof are referred to herein collectively as the "bonds."

The Series 2012 Bonds shall bear interest at the rates and shall mature on October 1 in the amounts and in the years as follows:

<u>Year</u> <u>(October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>
2014	\$175,000	1.00%
2015	215,000	2.00
2016	215,000	2.00
2017	225,000	2.00
2018	230,000	2.00
2019	230,000	2.05
2020	235,000	2.35
2021	240,000	2.55
2022	250,000	2.85
2023	255,000	3.00
2024	265,000	3.20
2025	270,000	3.35
2026	280,000	3.40
2027	290,000	3.55

The Series 2012 Bonds 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 Series 2012 Bonds shall be numbered from 1 upward in order of issuance. Each Series 2012 Bond shall have a CUSIP number, but the failure of a CUSIP number to appear on any Series 2012 Bond shall not affect its validity.

The Series 2012 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 Series 2012 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 Series 2012 Bonds, and receipt of notices and exercise of rights of registered owners. There shall be one certificated, typewritten Series 2012 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 Series 2012 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 Series 2012 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 Series 2012 Bonds, and the participants and persons acting through participants are expected to maintain records of the purchasers of beneficial interests in the Series 2012 Bonds. The Series 2012 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 Series 2012 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 Series 2012 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 Series 2012 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 Series 2012 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 Series 2012 Bonds so long as the Series 2012 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 Series 2012 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 Series 2012 Bonds; provided that neither the Trustee nor the City may assume any obligations to such securities depository or beneficial owners of Series 2012 Bonds that are inconsistent with their obligations to any registered owner under this Ordinance.

Each Series 2012 Bond shall be dated July 1, 2012. Interest on the Series 2012 Bonds shall be payable on October 1, 2012, and semiannually thereafter on April 1 and October 1 of each year. Payment of each installment of interest shall be made to the person in whose name the Series 2012 Bond is registered on the registration books of the City maintained by BancorpSouth Bank, Stuttgart, 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 Series 2012 Bond subsequent to such Record Date and prior to such interest payment date, by check or draft mailed by the Trustee to such owner at his address on such registration books. Principal of the Series 2012 Bonds shall be payable at the corporate trust office of the Trustee.

Each Series 2012 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 July 1, 2012, 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 Series 2012 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 Series 2012 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 of the Trustee upon any such Series 2012 Bond shall be conclusive evidence that such Series 2012 Bond has been authenticated and delivered under this Ordinance. The Certificate 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 Series 2012 Bonds.

In case any Series 2012 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 Series 2012 Bond of like date, number, maturity and tenor in exchange and substitution for and upon cancellation of such mutilated Series 2012 Bond, or in lieu of and in substitution for such Series 2012 Bond destroyed or lost, upon the owner paying the reasonable expenses and charges of the City and Trustee in connection therewith, and, in the case of a Series 2012 Bond destroyed or lost, his filing with the Trustee evidence satisfactory to it that such Series 2012 Bond was destroyed or lost, and of his ownership thereof, and furnishing the City and Trustee with indemnity satisfactory to them. The Trustee is hereby authorized to authenticate any such new Series 2012 Bond. In the event any such Series 2012 Bond shall have matured, instead of issuing a new Series 2012 Bond, the City may pay the same without the surrender thereof. Upon the issuance of a new Series 2012 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 Series 2012 Bonds as provided herein and in the Series 2012 Bonds. The Trustee shall act as the bond registrar. Each Series 2012 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 Series 2012 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.

Series 2012 Bonds may be exchanged at the principal corporate trust office of the Trustee for an equal aggregate principal amount of Series 2012 Bonds of any other authorized denomination or denominations. The City shall execute and the Trustee shall authenticate and

deliver Series 2012 Bonds which the registered owner making the exchange is entitled to receive. The execution by the City of any Series 2012 Bond of any denomination shall constitute full and due authorization of such denomination and the Trustee shall be thereby authorized to authenticate and deliver such Series 2012 Bond.

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. Neither the Trustee nor the City shall 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 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.

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 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 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.

Section 6. The Series 2012 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 Series 2012 Bond)

REGISTERED

REGISTERED

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF ARKANSAS
COUNTY OF CARROLL
CITY OF EUREKA SPRINGS

SALES AND USE TAX REFUNDING BOND
SERIES 2012

Interest Rate: ___%

Maturity Date: October 1, ___

Dated Date: July 1, 2012

Registered Owner: Cede & Co.

Principal Amount: _____ Dollars

CUSIP No.: _____

KNOW ALL MEN BY THESE PRESENTS:

That the City of Eureka Springs, County of Carroll, State of Arkansas (the "City"), for value received, hereby promises to pay to the Registered Owner shown above upon the presentation and surrender hereof at the principal corporate trust office of BancorpSouth Bank, Stuttgart, 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 to the Registered Owner shown above interest thereon, in like coin or currency from the interest commencement date specified below at the Interest Rate per annum shown above, payable on October 1, 2012 and on each April 1 and October 1 thereafter, 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.

Unless this bond 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 required 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 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 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 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 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.

This bond is one of an issue of City of Eureka Springs, Arkansas Sales and Use Tax Refunding Bonds, Series 2012, aggregating Three Million Three Hundred Seventy-Five Thousand Dollars (\$3,375,000) in aggregate principal amount (the "bonds"), and is issued for the purpose of providing a portion of the funds to refund certain outstanding bonds of the City, pay necessary expenses incidental thereto, provide a debt service reserve and pay expenses of authorizing and issuing the bonds.

The bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Arkansas (the "State"), particularly Amendment No. 62 to the Constitution of the State and Title 14, Chapter 164, Subchapter 3 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), and pursuant to Ordinance No. ____ of the City duly adopted on May 30, 2012 (the "Authorizing Ordinance"), and an election duly held at which the majority of the legal voters of the City voting on the questions approved the indebtedness represented by the bonds. Reference is hereby made to the Authorizing Ordinance for the details of the nature and extent of the security and of the rights and obligations of the City, the Trustee and the registered owners of the bonds. The bonds are special obligations of the City, payable from the proceeds derived by the City from a 1% sales and use tax (the "Tax") levied by the City under the authority of the laws of the State and Ordinance No. 1386 of the City duly adopted on March 20, 1990 and the City hereby pledges its collections of the Tax for the payment of this bond. The City has reserved the right in the Authorizing Ordinance to issue additional bonds under the Authorizing Ordinance on a parity of security with the bonds.

The bonds are subject to redemption at the option of the City, from funds from any source, on and after October 1, 2017, 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 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.

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 and the date they shall be presented for payment 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 other acceptable standard means of delivery, including facsimile or electronic communication, to all registered owners of bonds to be redeemed. Failure to mail or 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 shown above 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 shown above as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof 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, under the Constitution and laws of the State, particularly Amendment No. 62 to the Constitution of the State and the Authorizing Legislation, precedent to and in the issuance of this bond have existed, have happened and have been performed in due time, form and manner as required by law; that the indebtedness represented by this bond and the issue of which it forms a part does not exceed any constitutional or statutory limitation; and that the Tax will be duly levied until all of the bonds and interest thereon have been fully paid and discharged.

This bond shall not be valid until it shall have been authenticated by the Certificate hereon duly signed by the Trustee.

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

IN WITNESS WHEREOF, the City of Eureka Springs, 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.

ATTEST:

CITY OF EUREKA SPRINGS, ARKANSAS

Ann Armstrong
City Clerk

By [Signature]
Mayor

(SEAL)

(Form of Trustee's Certificate)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds issued under the provisions of the within mentioned Authorizing Ordinance.

Date of Authentication: _____.

BANCORPSOUTH BANK
Stuttgart, Arkansas

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 7. The City hereby expressly pledges and appropriates all of the revenues derived by the City from a 1% sales and use tax (the "Tax") levied by the City under the authority of the laws of the State and Ordinance No. 1386 of the City duly adopted on March 20, 1990, to the payment of the principal of and interest on the bonds when due at maturity or at redemption prior to maturity, to the payment of the fees and expenses of the Trustee and other administrative changes, to the payment of any arbitrage rebate due the United States under Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code") and to the maintenance of a debt service reserve. The City covenants that the Tax shall never be repealed or reduced while any of the bonds are outstanding. The City further covenants to use due diligence in collecting the Tax. Nothing herein shall prohibit the City from increasing the Tax from time to time, to the extent permitted by law, and no part of the revenues derived from any such increase shall become part of the revenues pledged hereunder.

Section 8. (a) The City hereby designates BancorpSouth Bank, Stuttgart, Arkansas as the bank which shall receive collections of the Tax (the "Pledged Revenues") from the State Treasurer, and the City covenants to file a written designation thereof with the State Treasurer prior to the issuance of the Series 2012 Bonds. The Trustee shall deposit all Pledged Revenues as and when received into a special fund of the City in the Trustee which is hereby created and designated "Sales and Use Tax Revenue Fund, Series 2012" (the "Revenue Fund").

(b) Moneys in the Revenue Fund shall, within two (2) business days of receipt, be applied each month, in the following order of priority:

(1) 1/6 of the interest on the bonds next due - Debt Service Account in the Bond Fund (hereinafter identified); and

(2) 1/12 of the principal of the bonds next due - Debt Service Account in the Bond Fund; and

(3) the Trustee's fees and expenses and other administrative charges next due - Expense Account in the Bond Fund; and

(4) the amount which may be necessary to increase the Debt Service Reserve Account to the required level - Debt Service Reserve Account in the Bond Fund (hereinafter identified); and

(5) the amount necessary to pay any arbitrage rebate due under Section 148(f) of the Code - Expense Account in the Bond Fund;

(6) the balance shall be transferred to the City for use for lawful purposes within two (2) business days of receipt of such moneys.

The deposits made into the Debt Service Account in the Bond Fund shall be reduced in order to take into account as a credit (i) interest earnings, (ii) accrued interest deposited therein from bond proceeds, (iii) transfers from the Debt Service Reserve Account and (iv) transfers from funds held in connection with the Series 2007 Bonds.

Monthly deposits shall be increased as necessary so that there are sufficient funds to meet the first interest payment and first principal payment due on the bonds.

Section 9. (a) There is hereby created a special fund of the City in the Trustee which is designated "Sales and Use Tax Bond Fund, Series 2012" (the "Bond Fund"), for the purpose of providing funds for the payment of principal of and interest on the bonds as they become due at maturity or at redemption prior to maturity, any arbitrage rebate due the United States under Section 148(f) of the Code and the Trustee's fees and expenses and other administrative charges. There shall be established in the Bond Fund the following accounts into which moneys shall be deposited: (i) Debt Service Account; (ii) Expense Account; and (iii) Debt Service Reserve Account. Moneys in the following Bond Fund accounts shall be used on each interest payment date in the following order of priority as and when necessary:

- (1) to pay the interest on the bonds then due - Debt Service Account;
- and
- (2) to pay the principal of the bonds then due - Debt Service Account;
- and
- (3) to pay the Trustee's fees and expenses and other administrative charges then due - Expense Account.

In addition, moneys in the Expense Account in the Bond Fund shall be used to pay, when due, any arbitrage rebate under Section 148(f) of the Code.

The Bond Fund shall, except as provided in this Section, be depleted once a year except for a carryover amount not to exceed the greater of (i) one year's earnings on the Bond Fund or (ii) 1/12 of the annual debt service on the bonds. Any moneys in the Bond Fund shall, except as provided in this Section, be spent for one of the above purposes within a thirteen-month period beginning on the date of deposit, and any amount received from investment of money held in the Bond Fund will be spent within a one-year period beginning on the date of receipt.

(b) There shall be established and maintained in the Bond Fund a Debt Service Reserve Account in an amount equal to one-half of the maximum annual principal and interest requirements on the bonds (the "required level"). The City shall initially fund the Debt Service Reserve Account with proceeds of the Series 2012 Bonds. Moneys in the Debt Service Reserve Account shall be used to make the payments described in clauses (1) and (2) of (a) above if moneys in the Debt Service Account in the Bond Fund are not otherwise sufficient for that purpose. Moneys in the Debt Service Reserve Account over and above the required level shall be immediately transferred from the Debt Service Reserve Account into the Debt Service Account in the Bond Fund.

(c) When the moneys in the Bond Fund shall be and remain sufficient to pay (1) the principal of all the bonds then outstanding, (2) interest on the bonds until the next interest payment date, (3) the Trustee's fees and expenses and other administrative charges and (4) all

arbitrage rebate payments due the United States under Section 148(f) of the Code, there shall be no obligation to make any further payments into the Bond Fund and any Pledged Revenues remaining in the Bond Fund after the principal of, premium, if any and interest on the bonds have been paid may be used by the City for any lawful purpose.

(d) All moneys in the Bond Fund shall be used solely for the purpose of paying the principal of and interest on the bonds, any arbitrage rebate due under Section 148(f) of the Code and Trustee's fees and expenses and other administrative charges, as the same become due.

(e) The Trustee is authorized and directed to withdraw moneys from the Bond Fund from time to time as necessary for paying principal of and interest on the bonds when due at maturity or at redemption prior to maturity and for making other authorized Bond Fund expenditures.

(f) The bonds shall be specifically secured by a pledge of the Pledged Revenues, which pledge in favor of the bonds is hereby irrevocably made according to the terms of this Ordinance, and the City, and the officers and employees of the City, shall execute, perform and carry out the terms thereof in strict conformity with the provisions of this Ordinance.

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 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) moneys sufficient to make such payment and/or (2) Government Securities as defined in Section 17 hereof which are direct obligations of the United States of America (provided that such deposit will not 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 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 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 Government 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 or provision has been made therefor and if all arbitrage rebate due the United States under Section 148(f) of the Code 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.

Section 11. The City covenants that it will not issue any additional bonds, or incur any obligation, secured by a lien on or pledge of the Pledged Revenues except as authorized in this Section. The City may issue bonds or incur obligations on a parity of security with the Series 2012 Bonds ("Additional Parity Bonds") under the provisions of this Ordinance if Pledged Revenues for the preceding 12 consecutive months are in excess of 125% of the average annual debt service requirements for the Series 2012 Bonds, any outstanding Additional Parity Bonds and the Additional Parity Bonds proposed to be issued. The City may also issue additional bonds or incur obligations secured by a pledge of Pledged Revenues subordinate to the pledge in favor of the bonds.

Section 12. The Series 2012 Bonds shall be callable for payment prior to maturity in accordance with the terms set out in the face of the bond form set forth in Section 6 of this Ordinance. Additional Parity Bonds shall be subject to redemption prior to maturity in accordance with the terms set forth in the ordinance or ordinances authorizing their issuance.

Section 13. It is hereby covenanted and agreed by the City with the owners of the bonds that the City will faithfully and punctually perform all duties with reference to the Tax and the bonds required by the Constitution and laws of the State and by this Ordinance, including the collection of the Tax, as herein specified and covenanted and the applying of the Pledged Revenues as herein provided.

Section 14. The Trustee will keep or cause to be kept proper books of accounts and records in which complete and correct entries shall be made of all transactions relating to the Pledged Revenues and such books shall be available for inspection by the City, the Purchaser and the owner of any of the bonds at reasonable times and under reasonable circumstances. The Trustee shall furnish a report to the City on a monthly basis of all receipts and disbursements of the Pledged Revenues received by the Trustee, which monthly report shall commence one month following the first month in which the Pledged Revenues are received by the Trustee.

Section 15. (a) If there be any default in the payment of the principal of and interest on any of the bonds, or if the City defaults in the performance of any covenant contained in this Ordinance, the Trustee may, and shall, upon the written request of the owners of not less than 10% in principal amount of the bonds then outstanding, by proper suit compel the performance of the duties of the officials of the City under the Constitution and laws of the State and under this Ordinance, and to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

(b) No owner of any bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or in law for the protection or enforcement of any right under this Ordinance or under the Constitution and laws of the State 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 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 powers 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 herein granted or granted by the Constitution and laws of the State, 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 cost, expense 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, and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trust of this Ordinance or to any other remedy hereunder. It is understood and intended that no one or more 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 hereunder except in the manner herein provided, that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all owners of the outstanding bonds, and that any individual rights of action or other right given to one or more of such owners by law are restricted by this Ordinance to the rights and remedies herein provided.

(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.

Section 16. When the Series 2012 Bonds have been executed and sealed as herein provided, they shall be delivered to the Trustee, which shall authenticate them and deliver them to the Purchaser upon payment of the Purchase Price. The accrued interest shall be deposited in the Bond Fund. The amount necessary from the Purchase Price to accomplish the Refunding, along with available moneys appropriated by Section 22 hereof, as set forth in the delivery instructions from the City to the Trustee (the "delivery instructions"), shall be deposited with the trustee for the owners of the Series 2007 Bonds. The amount necessary to fund the Debt Service Reserve Account to the required level shall be deposited therein. The expenses of

issuing the Series 2012 Bonds, as set forth in the delivery instructions, shall be paid from the Purchase Price.

The balance of the Purchase Price, if any, shall be deposited into a special account in the name of the City designated "Cost of Issuance Fund" (the "Cost of Issuance Fund") in the Trustee. The moneys in the Cost of Issuance Fund shall be disbursed solely in payment of the costs of accomplishing the Refunding, paying necessary expenses incidental thereto, and paying expenses of issuing the Series 2012 Bonds. Disbursements shall be made by the Trustee on the basis of 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 Mayor. The Trustee shall be required to keep accurate records as to all payments made from the Cost of Issuance Fund.

When all required expenses have been paid and expenditures made from the Cost of Issuance Fund for and in connection with the accomplishment of the Refunding and the issuance of the Series 2012 Bonds, this fact shall, if there are moneys on hand in the Cost of Issuance Fund, be evidenced by a certificate signed by the Mayor, which certificate shall state, among other things, that all obligations payable from the Cost of Issuance Fund have been discharged. A copy of the certificate shall be filed with the Trustee, and upon receipt thereof the Trustee shall deposit any remaining balance into the Debt Service Account in the Bond Fund. Notwithstanding the above, any moneys remaining in the Cost of Issuance Fund on September 1, 2012 shall be transferred into the Debt Service Account in the Bond Fund.

Section 17. (a) Moneys held for the credit of the Revenue Fund, the Bond Fund (other than the Debt Service Reserve Account therein) and the Cost of Issuance Fund shall be invested and reinvested in (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, instrumentally or government-sponsored enterprise created by 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, or (iii) in time deposits or certificates of deposit of banks, including the Trustee, which are insured by the Federal Deposit Insurance Corporation ("FDIC") or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by State law to secure public deposits, 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 or dates when the moneys will be required for payment of the principal of and interest on the bonds when due. The Trustee shall invest and reinvest pursuant to the direction of the City and in the Trustee's discretion in the absence of any direct instructions from the City.

(b) Moneys held for the credit of the Debt Service Reserve Account in the Bond Fund shall be invested and reinvested in (i) Government Securities, (ii) direct obligations of an agency, instrumentally or government-sponsored enterprise created by 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, or (iii) time deposits or certificates of deposit of banks, including the Trustee,

which are insured by FDIC, or, if in excess of insurance coverage, are collateralized by Government Securities or other securities authorized by State law to secure public deposits, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than seven (7) years after the date of investment or the final maturity date of the outstanding bonds, whichever is earlier. The Trustee shall so invest and reinvest pursuant to the direction of the City and in the Trustee's discretion in the absence of any direct instructions from the City.

(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) Moneys so invested in Government Securities or in certificates of deposit of banks to the extent insured by FDIC need not be secured by the Trustee or by the depository bank.

(e) All investments and deposits shall have a par value (or market value when less than par), exclusive of accrued interest at all times at least equal to the amount of money credited to such funds and shall be made in such a manner that the money required to be expended from any fund will be available at the proper time or times.

(f) Investments of moneys in all funds shall be valued in terms of current market value as of the last day of each year, except that direct obligations of the United States (State and Local Government Series) in book-entry form shall be continuously valued at par or face principal amount.

Section 18. In the event the office of Mayor, City Clerk or City Treasurer 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 offices, 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 or her 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 officers 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 19. BancorpSouth Bank, Stuttgart, Arkansas is hereby appointed to act as Trustee and Paying Agent pursuant to this Ordinance. The Trustee shall be responsible for the exercise of good faith and reasonable prudence in the execution of its trusts. The recitals in this Ordinance and in 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 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 by giving 60 days' notice in writing to the City Clerk and to the owners of the bonds, and the majority in principal amount of

the owners of the outstanding bonds or the City, so long as it is not in default under this Ordinance, at any time, with or without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee, the City shall appoint a new Trustee, such appointment to be evidenced by a written instrument or instruments filed with the City Clerk. The new Trustee shall be a bank or a trust company duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$10,000,000. The Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts imposed upon it 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 take effect upon the acceptance of the trusts by the successor Trustee.

Section 20. (a) The terms of this Ordinance shall constitute a contract between the City and the owners of the bonds and 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 that the Trustee determines is not to the material prejudice of the owners of the bonds, in connection with the issuance of Additional Parity Bonds or in order to cure any ambiguity, defect or omission in this Ordinance or any amendment hereto without the consent of the owners of the outstanding 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 (1) an extension of the maturity of the principal of or the interest on any bond, or (2) a reduction in the principal amount of any bond or the rate of interest thereon, or (3) the creation of a pledge of the Pledged Revenues superior to the pledge created by this Ordinance, or (4) a privilege or priority of any bond or bonds over any other bond or bonds, or (5) a reduction in the aggregate principal amount of the bonds required for consent to such supplemental ordinance.

Section 21. (a) The Series 2012 Bonds are hereby designated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended (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 2012 are not reasonably anticipated to exceed \$10,000,000.

(b) The City covenants that it will take no action which would cause the Series 2012 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code. The City further 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 Series 2012 Bonds are issued, a statement concerning the Series 2012 Bonds which contains the information required by Section 149(e) of the Code.

(c) The City represents that it has not used or permitted the use of, and covenants that it will not use or permit the use of the improvements to be refinanced by the Series 2012 Bonds or the proceeds of the Series 2012 Bonds, in such manner as to cause the Series 2012 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code. In this regard, the City covenants that (i) it will not use (directly or indirectly) the proceeds of the Series 2012 Bonds to make or finance loans to any person, and (ii) that while the Series 2012 Bonds are outstanding the improvements to be refinanced by the Series 2012 Bonds will only be used by persons on a basis as members of the general public.

(d) The City shall pay any arbitrage rebate due the United States Treasury under Section 148 of the Code from moneys in the Bond Fund.

(e) The City covenants that it will not reimburse itself from Series 2012 Bond proceeds for any costs paid prior to the date the Series 2012 Bonds are issued except in compliance with United States Treasury Regulation No. 1.150-2.

Section 22. All moneys in the bond fund, including the debt service reserve account therein, held for the Series 2007 Bonds shall be used as necessary to accomplish the Refunding. The balance, if any, shall be deposited into the Debt Service Account of the Bond Fund.

Section 23. The Mayor is hereby authorized and directed to work with Friday, Eldredge & Clark, LLP, as bond counsel, to develop, adopt and implement written procedures to monitor compliance with federal tax requirements with respect to tax-exempt obligations of the City. The Mayor is further authorized to appoint a Responsible Person who will have primary responsibility for monitoring post-issuance tax compliance.

Section 24. The Disclosure Agreement, in substantially the form submitted to this meeting, is approved, and the Mayor is hereby authorized and directed to execute and deliver the Disclosure Agreement for and on behalf of the City. The Mayor is authorized and directed to take all action required on the part of the City to fulfill the City's obligations under the Disclosure Agreement. Any legal fees and other administrative costs incurred by the City in connection with the Disclosure Agreement (except audit fees) shall be considered administrative costs that may be payable from moneys in the Bond Fund hereinafter identified.

Section 25. Following adoption, this Ordinance shall be posted in the following public places in the City: City Hall, Auditorium, Eureka Springs Public Library, Hart's Family Center and Bunch's Quik-Chek.

Section 26. The provisions of this Ordinance are separable and in the event that any section or part hereof shall be held to be invalid, such invalidity shall not affect the remainder of this Ordinance.

Section 27. All ordinances and resolutions and parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

Section 28. It is hereby ascertained and declared that the Refunding must be accomplished as soon as possible in order to lower the interest cost on obligations payable from the Tax. The Refunding cannot be accomplished without the issuance of the Series 2012 Bonds, and 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.

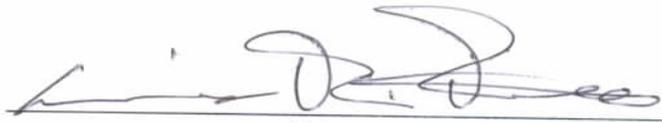
PASSED: May 30, 2012.

ATTEST:



City Clerk

APPROVED:



Mayor

(SEAL)

Aldermen voting "Aye" – James DeVito, Parker Raphael, and Butch Berry
Aldermen voting "No" – Lany Ballance and Karen Lindblad
Mayor Morris Pate added his "Aye" to approve the emergency clause 4/2/0