

OFFICIAL STATEMENT DATED AUGUST 28, 2014

NEW ISSUE BOOK ENTRY ONLY

In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes, subject to the condition that the City comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to and following the issuance of the Series 2014 Bonds, and the Series 2014 Bonds and interest thereon are exempt from all Arkansas state, county and municipal taxes. In the opinion of Bond Counsel, interest on the Series 2014 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although it is included in book income in calculating the corporate alternative minimum taxable income. The Series 2014 Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986. Bond Counsel expresses no other opinions with regard to federal tax consequences arising from ownership of the Bonds. See "TAX EXEMPTION" herein.

\$2,350,000
CITY OF ELKINS, ARKANSAS
SALES AND USE TAX BONDS,
SERIES 2014

Dated: September 1, 2014

Due: September 1, as shown below

Principal of the Series 2014 Bonds is payable at the corporate trust office of Regions Bank, Little Rock, Arkansas, as trustee and paying agent (the "Trustee"). Interest on the Series 2014 Bonds is payable semiannually on March 1 and September 1 in each year, commencing March 1, 2015, by check or draft of the Trustee mailed to each registered owner thereof as of the applicable record date at the address as shown on the bond registration books maintained by the Trustee, or subject to the provisions of the Authorizing Ordinance (hereinafter defined) and upon the terms and conditions of the Trustee, by wire fund transfer. The Series 2014 Bonds will be issued only as registered bonds in the denominations of \$5,000 or any integral multiple thereof.

The Series 2014 Bonds are being issued to finance the construction of recreational facilities (the "Project") for the City of Elkins, Arkansas (the "City"), fund a Debt Service Reserve and to pay costs of issuance of the Series 2014 Bonds.

Principal of and interest on the Series 2014 Bonds is payable from a pledge of receipts derived by the City from a three-quarters percent (3/4%) sales and use tax levied by the City and approved by the voters of the City at a special election held June 24, 2014. The issuance of the Series 2014 Bonds to construct the Project was approved at the same election. See "SECURITY FOR THE SERIES 2014 BONDS" herein.

The Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, an automated depository for securities and clearinghouse for securities transactions. Individual purchases of the Bonds will be made only in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Individual purchasers of the Bonds (the "Beneficial Owners") will not receive physical delivery of bond certificates. Principal of and interest on the Bonds will be payable at the principal corporate trust office of the Trustee upon the order of Cede & Co., which will remit such principal and interest to its DTC participants, which in turn will remit such principal and interest to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds are special obligations of the City payable solely from the Tax Receipts (hereinafter defined). The Bonds do not constitute an indebtedness of the City within any constitutional or statutory limitation.

The Series 2014 Bonds are subject to optional, mandatory and extraordinary redemption as provided in the section herein entitled "Redemption Provisions."

The Series 2014 Bonds mature on September 1 of the years shown below bear interest and are priced as follows:

MATURITY SCHEDULE

\$445,000	1.625%	Term Bonds Due September 1, 2019 at 100%
\$540,000	2.800%	Term Bonds Due September 1, 2024 at 100%
\$630,000	3.250%	Term Bonds Due September 1, 2029 at 100%
\$735,000	3.375%	Term Bonds Due September 1, 2034 at 100%

The Series 2014 Bonds are offered, subject to prior sale, when, as and if issued by the City and accepted by the Underwriter, subject to the approval of legality by Williams & Anderson PLC, Little Rock, Arkansas, Bond Counsel, and subject to certain other conditions. The Series 2014 Bonds will be available for delivery in New York, New York on or about September 25, 2014.

Stephens Inc.
Investment Bankers

No dealer, broker, salesman or any other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

The Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Trust Indenture described herein been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions in such laws from such registration and qualification.

The Underwriter has gathered the information in this Official Statement from sources it believes to be reliable, including primarily the Authority. The Underwriter does not guarantee this information as to its completeness or its accuracy.

By its purchase of the Bonds, an investor is acknowledging that it has reviewed all the information it deems necessary to make an informed decision, and that it is not relying on any representation of the Underwriter or any of its officers, representatives, agents, or directors in reaching its decision to purchase the Bonds.

The investor, by its purchase of the Bonds, acknowledges its consent for the Underwriter to rely upon the investor's understanding of and agreement to the preceding two paragraphs as such relates to the disclosure and fair dealing obligations that may be applicable to the Underwriter under applicable securities laws and regulations.

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CITY OF ELKINS, ARKANSAS

Mayor	--	Bruce Ledford
City Council	--	Josh Bowen Duane Rickert Janet Mott Lloyd Stith Eric McGill Jeff Plumlee
City Recorder/Treasurer	--	Delia Foster
City Attorney	--	Danny Wright

CONSULTANTS AND ADVISORS TO THIS FINANCING

Bond Counsel	--	Williams & Anderson PLC Little Rock, Arkansas
Underwriter	--	Stephens Inc. Fayetteville, Arkansas

SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Series 2014 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof and exhibits hereto. No person is authorized to detach this Summary Statement or otherwise to use it without the entire Official Statement.

The City. The City of Elkins, Arkansas (the "City") is a city of the second class organized and existing under the laws of the State of Arkansas (the "State"). Consistent with Amendment No. 62 to the Constitution of the State, and pursuant to Arkansas Code Annotated §§ 14-164-301 *et seq.* (Repl. 2008; Suppl. 2013) (the "Authorizing Legislation"), the City is authorized to issue sales and use tax bonds for the purpose of constructing recreational facilities for the City (the "Project").

The Series 2014 Bonds. The Series 2014 Bonds consist of \$2,350,000 principal amount of the City's Sales and Use Tax Bonds, Series 2014, initially dated September 1, 2014 (the "Series 2014 Bonds"). The Series 2014 Bonds are issued pursuant to Ordinance No. 08-21-2014A adopted by the City on August 21, 2014 (the "Authorizing Ordinance"). Regions Bank, an Alabama banking corporation with a corporate trust office in Little Rock, Arkansas, has been selected as trustee and paying agent for the Series 2014 Bonds.

Use of Proceeds. Proceeds from the sale of the Series 2014 Bonds will be used to finance the construction of recreational facilities for the City, fund a Debt Service Reserve Fund and to pay the costs of issuance of the Series 2014 Bonds.

Security for the Series 2014 Bonds. The Series 2014 Bonds are not general obligations of the City, but are special obligations payable solely from a pledge of revenues derived by the City from the three-quarters percent (3/4%) sales and use tax levied by the City pursuant to Ordinance No. 03-20-2014A of the City passed and approved on March 20, 2014, and the Authorizing Legislation (the "Tax" or the "Tax Receipts"). The Tax and the issuance of the Bonds to finance construction of recreational improvements for the City was approved by a majority of the voters of the City at a special election held June 24, 2014.

Redemption of Bonds. The Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity, at the time and redemption prices and upon the terms set forth herein.

*Preliminary, subject to change.

OFFICIAL STATEMENT

\$2,350,000
CITY OF ELKINS, ARKANSAS
SALES AND USE TAX BONDS
SERIES 2014

INTRODUCTION

This Official Statement of the City of Elkins, Arkansas (the "City"), including the cover page hereof, is furnished in connection with the offering by the City of its \$2,350,000 principal amount of City of Elkins, Arkansas Sales and Use Tax Bonds, Series 2014 (the "Series 2014 Bonds" or the "Bonds"). The Series 2014 Bonds are being issued for the purpose of financing the construction of recreational facilities for the City.

The Series 2014 Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Arkansas (the "State") including particularly Amendment No. 62 to the Constitution of the State ("Amendment 62") and Arkansas Code Annotated §§ 14-164-301 *et seq.* (Repl. 2008; Suppl. 2013) (the "Authorizing Legislation") and pursuant to Ordinance No. 08-21-2014A duly adopted and approved by the City Council of the City on August 21, 2014 (the "Authorizing Ordinance"). Regions Bank, an Alabama banking corporation with a corporate trust office in Little Rock, Arkansas, has been appointed as trustee and paying agent for the Series 2014 Bonds (the "Trustee").

The Series 2014 Bonds are secured by a pledge of revenues derived from the 3/4% sales and use tax levied by the City under the authority of the Authorizing Legislation and Ordinance No. 03-20-2014A of the City adopted and approved March 20, 2014 (previously identified as the "Tax" or the "Tax Receipts"). The levy of the Tax and the issuance of the Series 2014 Bonds and the pledging of the Tax to the payment of the principal of and interest on the Series 2014 Bonds to finance construction of recreational facilities for the City were approved by a majority of the voters of the City at a special election held in the City on June 24, 2014. The monthly Tax Receipts will be deposited into the Revenue Fund created by the Authorizing Ordinance for the purpose of paying the principal of and interest on the Series 2014 Bonds when due, and paying the Trustee's fees when due. Reference is hereby made to the Authorizing Ordinance for a statement of the nature and extent of the security and the rights and obligations of the City, the Trustee and the owners of the Series 2014 Bonds.

Descriptions of the Bonds, the Series 2014 Bonds, the Tax, the Authorizing Ordinance and the City are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive; all references herein to the Authorizing Ordinance are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto included in the Authorizing Ordinance.

THE SERIES 2014 BONDS

The Series 2014 Bonds are issued in the aggregate principal amount of \$2,350,000 as fully registered bonds, without coupons, in the denominations of \$5,000 and any integral multiple thereof.

The Series 2014 Bonds are being issued as serial and/or term bonds as set forth on the cover hereof, and the Series 2014 Bonds mature and bear interest as set forth on the cover hereof.

The Series 2014 Bonds when originally issued, or upon subsequent transfer prior to March 1, 2015, will be dated September 1, 2014, and will bear interest from such date, payable March 1 and September 1 of each year, commencing March 1, 2015. Upon transfer subsequent to March 1, 2015, the Series 2014 Bonds will be dated the March 1 or the September 1 to which interest was last paid, and bear interest, payable semiannually, from such date.

The principal of the Series 2014 Bonds is payable upon presentation and surrender at the corporate trust office of the Trustee in Little Rock, Arkansas. Payment of interest on the Series 2014 Bonds will be made to each registered owner thereof by check or draft mailed by the Trustee to such owner at his, her or its address as such name and address appear on the registration book of the City kept by the Trustee, or subject to the provisions of the Authorizing Ordinance and upon the terms and conditions of Trustee, by wire fund transfer, on the record date which is the fifteenth day of the calendar month next preceding the calendar month in which such interest payment date falls. All such payments will be made in lawful money of the United States of America.

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.

REDEMPTION PROVISIONS

Optional Redemption. The Series 2014 Bonds or portions thereof may be redeemed prior to maturity, at the option of the City, from funds from any other source, in whole at any time and in part on any interest payment date, on and after September 1, 2019, in inverse order of maturity (and by lot, chosen by any method selected by the Trustee, within a maturity) at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date).

Mandatory Sinking Fund Redemption. The Bonds maturing September 1, 2019 shall be subject to mandatory sinking fund redemption at a price of the principal amount being redeemed plus accrued interest to the date of redemption, on September 1 in the years and principal amounts as follows:

<u>September 1</u>	<u>Principal Amount</u>
2015	\$50,000
2016	95,000
2017	100,000
2018	100,000
2019*	100,000

*Final Maturity

The Bonds maturing September 1, 2024 shall be subject to mandatory sinking fund redemption at a price of the principal amount being redeemed plus accrued interest to the date of redemption, on September 1 in the years and principal amounts as follows:

<u>September 1</u>	<u>Principal Amount</u>
2020	\$100,000
2021	105,000
2022	110,000
2023	110,000
2024*	115,000

The Bonds maturing September 1, 2029 shall be subject to mandatory sinking fund redemption at a price of the principal amount being redeemed plus accrued interest to the date of redemption, on September 1 in the years and principal amounts as follows:

<u>September 1</u>	<u>Principal Amount</u>
2025	\$120,000
2026	120,000
2027	125,000
2028	130,000
2029*	135,000

The Bonds maturing September 1, 2034 shall be subject to mandatory sinking fund redemption at a price of the principal amount being redeemed plus accrued interest to the date of redemption, on September 1 in the years and principal amounts as follows:

<u>September 1</u>	<u>Principal Amount</u>
2030	\$140,000
2031	145,000
2032	145,000
2033	150,000
2034*	155,000

*Final Maturity

Extraordinary Redemption. The Series 2014 Bonds or portions thereof may be redeemed on any interest payment date from moneys in the Project Fund not needed to complete the Project, after September 1, 2016, in inverse order of maturity (Bonds within a maturity to be selected by lot in such manner as the Trustee shall determine to be fair and equitable) at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

In addition, the Series 2014 Bonds or portions thereof shall be redeemed from Surplus Tax Receipts (hereinafter defined) on any interest payment date, at least annually, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. "Surplus Tax Receipts" are 100% of the collections of Tax in excess of the amount necessary to (i) insure the prompt payments of the principal of, interest on and Trustee's and administrative fees and expenses in connection with the Series 2014 Bonds as the same become due, (ii) maintain debt service reserves in the required amounts, and (iii) pay any arbitrage rebate due under Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code").

In the event of a redemption from Surplus Tax Receipts, the Series 2014 Bonds shall be redeemed in inverse order of maturity by lot within a maturity for a particular series in such manner as the Trustee shall determine. Surplus Tax Receipts available for redemption shall be allocated pro rata between the Series 2014 Bonds based upon the principal amount outstanding of the maturity to be redeemed.

Notice and Effect of Redemption. In the case of any redemption of Series 2014 Bonds prior to maturity, the Trustee shall mail a copy of the redemption notice to the registered owners of the Series 2014 Bonds to be redeemed, by first class mail, in each case not less than fifteen (15) nor more than sixty (60) days prior to the date of redemption.

Notwithstanding the above, so long as the Bonds are issued in book-entry only form, if fewer than all the Bonds of the issue are called for redemption, the particular Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the Bonds are issued in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee for DTC. **The Trustee will not give any notice of redemption to the Beneficial Owners of the Bonds.**

After the date for redemption, no further interest shall accrue on any Bond called for redemption if funds for redemption of such Bond have been deposited with the Trustee as provided in the Authorizing Ordinance.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participant").

Purchases of Bonds under the book-entry system may be made through brokers and dealers who are, or act through, DTC Participants. The DTC Participants shall receive a credit balance in the records of DTC. The ownership interest of the actual purchaser of each Bond (the "Beneficial Owner") is to be recorded on the records of the DTC Participant. Beneficial Owners are to receive a written confirmation of their purchase with details of the Bonds acquired. Transfers of ownership interests in Bonds are to be accomplished by book entries made by DTC and by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interest therein, except as specially provided in the Resolution. Interest and principal is to be paid to DTC, or its nominee, when due, and then is to be paid by DTC to the DTC Participants and thereafter is to be paid by the DTC Participants to the Beneficial Owners.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS.

Beneficial Owners of the Bonds or those possessing interests in the Bonds will not receive or have the right to receive physical delivery of such Bonds, and will not be or be considered to be owners thereof under the Resolution. So long as Cede & Co. is the Owner of the Bonds, as nominee of DTC, references herein to Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners thereof.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue services with respect to the Bonds or any Series of Bonds at any time by giving notice to the Board and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the Trustee may make arrangements with a successor securities depository that operates upon reasonable and customary terms. If no such arrangements are made, Bonds are required to be delivered as described in the respective Indentures. The Beneficial Owner, upon registration of the Bonds held in the Beneficial Owner's name, shall become the Owner thereof under the applicable Indenture.

The City may determine to discontinue the system of book-entry transfers through DTC (or a successor securities depository). In such event, the Bonds are to be delivered as described in the Authorizing Ordinance. The Trustee is entitled to rely on information provided by DTC and the DTC Participants as to the names and principal amounts in which the Bonds are to be registered.

When referring to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to the action by such Beneficial Owner or those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

Principal and interest payments on the Bonds are to be made to DTC or its nominee, Cede & Co., as Registered Owner of the Bonds. Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the DTC Participants according to their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners are to be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in street name, subject to any statutory and regulatory requirements as may be in effect from time to time, and would be the responsibility of such DTC Participant or Indirect Participant and not of DTC, the Trustee or the City.

The Trustee and the City, so long as a book-entry system is used for a Series of Bonds, are to send any notice of redemption or other notices required to be sent to Owners of such Series, only to DTC. Any failure by DTC to advise any DTC Participant, or by any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect shall not affect the validity of the redemption of the Bonds of the Series called for redemption or of any other action premised on such notice.

The Board and the Trustee have no responsibility or obligation to Direct Participants, Indirect Participants, or Beneficial Owners with respect to: (a) the payment by DTC, Direct Participants or Indirect Participants of the principal of or interest on the Bonds; (b) the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners; or (c) the accuracy of any records maintained by DTC, Direct Participants, or Indirect Participants.

USE OF PROCEEDS

The Bonds are being issued to finance construction of recreational facilities for the City, to fund a Debt Service Reserve Fund, and to pay costs associated with the issuance of the Series 2014 Bonds.

The proceeds of the Series 2014 Bonds will be used in the manner described as follows:

Source of Funds:

Principal Amount of Bonds	\$2,350,000.00
Accrued Interest from 9/1/14 to 9/25/14	<u>4,508.83</u>
Total Source of Funds	\$2,354,508.83

Use of Funds:

Project Fund	\$2,103,593.74
Deposit to Debt Service Reserve Fund (DSRF)	165,281.26
Underwriter's Discount	41,125.00
Costs of Issuance	40,000.00
Deposit to Debt Service Fund	<u>4,508.83</u>
Total Use of Funds	\$2,354,508.83

The payment of Underwriter's discount and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See "UNDERWRITING" for a description of Underwriter's discount.

AUTHORITY

The Series 2014 Bonds are being issued under the Constitution and laws of the State, including particularly Amendment 62 and the Authorizing Legislation, and pursuant to the Authorizing Ordinance.

SECURITY FOR THE SERIES 2014 BONDS

The following is a brief description of the security for the Series 2014 Bonds:

General. The Series 2014 Bonds are not general obligations of the City but are special obligations, secured by a first and prior pledge of the Tax Receipts. Tax Receipts shall be used first to pay the principal of and interest on the Series 2014 Bonds, and thereafter to pay Trustee's fees and expenses and other administrative charges, to pay any arbitrage rebate due under Section 148(f) of the Code, and to maintain the debt service reserve, hereinafter described, at the required level. Any balance may be used by the City for any lawful purpose. The Series 2014 Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see THE AUTHORIZING ORDINANCE.

Debt Service Reserve. A debt service reserve will be maintained in the Bond Fund in an amount equal to the maximum annual debt service requirements on the Series 2014 Bonds. See THE AUTHORIZING ORDINANCE, The Bond Fund. The debt service reserve will initially be funded with Series 2014 Bond proceeds. The required level shall always be an amount equal to the maximum annual debt service requirements on the Series 2014 Bonds that are outstanding at the time. See THE AUTHORIZING ORDINANCE, The Bond Fund.

The Tax. Pursuant to Title 14, Chapter 164, Subchapter 3 of the Arkansas Code of 1987 Annotated (the "Tax Legislation"), the City has levied the Tax pursuant to the Tax Ordinance. The Tax is a tax within the City on all items which are subject to taxation under The Arkansas Gross Receipts Act of 1941 and a tax on the receipts from storing, distributing, using or consuming tangible personal property under The Arkansas Compensating (Use) Tax Act of 1949. Pursuant to the Authorizing Ordinance, the City has pledged the Tax Receipts to the payment of the Series 2014 Bonds. The Tax was approved at the special election held June 24, 2014 and will take effect on October 1, 2014.

The Streamline Sales and Use Tax Agreement ("Streamline") has been adopted by the State and became effective on January 1, 2008. Streamline amended Arkansas sales and use tax law to allow the State to collect sales and use taxes from internet sales from vendors outside the State. Streamline limits the collection of the local sales and use tax on the first \$2,500 of sales proceeds only on the following sales: motor vehicles, aircraft, watercraft, modular homes, manufactured homes or mobile homes. There is no limit of the amount of local sales and use tax to be paid on all other items. The State allows businesses, nonprofits and governmental entities to file for a credit or rebate on a local sales and use tax if the amount on an invoice totals more than \$2,500 on certain qualified purchases. Claims for credit or rebates must be filed with the Arkansas Department of Finance and Administration ("DF&A") within six (6) months from the date of purchase or six (6) months from the date of payment, if later. DF&A will then cause the State Treasurer to withhold the amount of the refund from future disbursements to the local government levying the sales and use tax. Prior to January 1, 2008, sales and use taxes were collected on the first \$2,500 of sales proceeds for each single transaction, as defined by the City.

Pursuant to Act 757 of 2011 (the "Sales Tax Holiday Act"), the State has created an annual sales tax holiday in which clothing (which are less than \$100 per item), clothing accessories or equipment (which are less than \$50 per item), school art supplies, school instructional materials and school supplies are exempt from taxation under The Arkansas Gross Receipts Tax Act of 1941. The annual sales tax holiday is from 12:01 a.m. on the first Saturday in August until 11:59 p.m. the following Sunday. The City cannot predict the future impact of the Sales Tax Holiday Act.

Set forth in Exhibit A attached hereto is a summary of certain provisions of the statutes authorizing the Tax. The summary does not purport to be complete statements of the laws. Reference is made to the Arkansas Code Annotated §§ 26-52-101 *et seq.* and 26-53-101 *et seq.* for the full text and complete descriptions of such provisions.

Administration. Pursuant to the Tax Legislation, the Commissioner of Revenues of the State (the "Commissioner") performs all functions incidental to the administration, collection, enforcement and operation of the Tax. All Tax receipts collected, less certain charges payable and retainage due the Commissioner for administrative services in the amount of 3% of the gross Tax receipts and any required rebates, shall be remitted by the State Treasurer to the Trustee monthly for deposit into the Revenue Fund. See THE AUTHORIZING ORDINANCE, The Revenue Fund.

Use of Surplus Tax Receipts. Tax Receipts, if any, in the possession of the Trustee in excess of the amount necessary to (i) insure the prompt payments of the principal of, interest on and Trustee's and Paying Agent's fees in connection with the Series 2014 Bonds as the same become due; (ii) maintain the Debt Service Reserve Account established in connection with the Series 2014 Bonds; and (iii) pay any arbitrage rebate due under Section 148(f) of the Code shall be applied to the early redemption of the Series 2014 Bonds (See DEBT SERVICE REQUIREMENTS, Projected Mandatory Redemption herein).

Use of Tax Receipts. The Trustee shall deposit all collections of the Tax as and when received by it into a special fund of the City in the Trustee which is created by the Authorizing Ordinance and designated "Sales and Use Tax Revenue Fund, Series 2014" (the "Revenue Fund"). There shall be deposited into the Bond Account of the Revenue Fund each month from monthly Tax Receipts the following:

- (1) the Trustee's fees and expenses next due plus any additional amount if directed by the City to pay administrative expenses;
- (2) 1/6 of the interest on the Series 2014 Bonds next due;
- (3) 1/12 of the principal of the Series 2014 Bonds next due;
- (4) Any additional amount directed by the City to be used to redeem the Series 2014 Bonds prior to maturity.

Historic Tax Receipts. According to the Office of the State Treasurer, collections of the one percent sales and use tax of the City approved on September 9, 2008, which began collection on January 1, 2009, remitted to the City for the twelve-month periods ended December 31 indicated below (net of the 3% retainage and any required rebates) are as follows:

<u>Year</u>	<u>1% Tax Collections</u>
2009	\$208,248
2010	208,863
2011	202,652
2012	252,198
2013	266,100
August 1, 2013-July 31, 2014	280,283

Based on the above information, collections of a three-quarters percent (3/4%) sales and use tax would yield the following amounts:

<u>Year</u>	<u>3/4% Tax Collections</u>
2009	\$156,186
2010	156,647
2011	151,989
2012	189,148
2013	199,575
August 1, 2013-July 31, 2014	210,212

Future Tax Receipts. The population of the City could increase or decrease thereby affecting the tax. Tax Receipts will be contingent upon the sale and use of property and services within the City, which activity is generally dependent upon economic conditions within the City and surrounding trade area. Also, future Tax Receipts may be affected by changes made by the General Assembly of the State to transactions included or exempted from the Tax. In the past, the

General Assembly of the State has considered new exemptions to the Tax, such as food sales, which, if adopted, could materially reduce future Tax Receipts. The City has no control over actions of the General Assembly and cannot predict whether changes to the Tax may be made. Accordingly, the City cannot predict with certainty the expected amount of Tax Receipts to be received, and, therefore, there can be no assurance that receipts from the Taxes will be sufficient to pay the principal of and interest on the Series 2014 Bonds.

DEBT SERVICE REQUIREMENTS

The following table shows amounts required to pay scheduled principal and interest on the Series 2014 Bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Fiscal Total</u>
9/01/15 ⁽¹⁾	\$ 50,000	\$67,632.50	\$117,632.50
9/01/16 ⁽¹⁾	95,000	66,820.00	161,820.00
9/01/17 ⁽¹⁾	100,000	65,276.26	165,276.26
9/01/18 ⁽¹⁾	100,000	63,651.26	163,651.26
9/01/19 ⁽¹⁾	100,000	62,026.26	162,026.26
9/01/20 ⁽²⁾	100,000	60,401.26	160,401.26
9/01/21 ⁽²⁾	105,000	57,601.26	162,601.26
9/01/22 ⁽²⁾	110,000	54,661.26	164,661.26
9/01/23 ⁽²⁾	110,000	51,581.26	161,581.26
9/01/24 ⁽²⁾	115,000	48,501.26	163,501.26
9/01/25 ⁽³⁾	120,000	45,281.26	165,281.26
9/01/26 ⁽³⁾	120,000	41,381.26	161,381.26
9/01/27 ⁽³⁾	125,000	37,481.26	162,481.26
9/01/28 ⁽³⁾	130,000	33,418.76	163,418.76
9/01/29 ⁽³⁾	135,000	29,193.76	164,193.76
9/01/30 ⁽⁴⁾	140,000	24,806.26	164,806.26
9/01/31 ⁽⁴⁾	145,000	20,081.26	165,081.26
9/01/32 ⁽⁴⁾	145,000	15,187.50	160,187.50
9/01/33 ⁽⁴⁾	150,000	10,293.76	160,293.76
9/01/34 ⁽⁴⁾	155,000	5,231.26	160,231.26

⁽¹⁾ Term Bonds due September 1, 2019

⁽²⁾ Term Bonds due September 1, 2024

⁽³⁾ Term Bonds due September 1, 2029

⁽⁴⁾ Term Bonds due September 1, 2034

Projected Mandatory Redemptions. The table under the caption "DEBT SERVICE REQUIREMENTS" does not reflect possible mandatory redemptions of the Series 2014 Bonds from Surplus Tax Receipts, if available. Surplus Tax Receipts are all receipts of the 3/4% Sales and Use Tax in excess of the amount necessary (i) to assure the prompt payment of the principal of and interest on Outstanding Series 2014 Bonds and any other Additional Bonds, (ii) to maintain the Debt Service Reserve Fund in an amount equal to the Reserve Requirement, (iii) to pay any arbitrage rebate due under Section 148(f) of the Code, and (iv) to pay Trustee and Paying Agent fees and expenses. All Surplus Tax Receipts will be applied to the early redemption of the Series 2014 Bonds. THERE CAN BE NO ASSURANCE GIVEN THAT RECEIPTS OF THE SALES AND USE TAXES WILL BE REALIZED IN THE AMOUNTS ASSUMED IN THE TABLE ABOVE. See the caption "SECURITY FOR THE SERIES 2014 BONDS – Future Tax Receipts" herein.

Analysis of Bonds Called

<u>Date</u>	<u>Scheduled Principal</u>	<u>Redeemed Prior to Maturity</u>	<u>Total Principal Retired</u>
9/1/2015	\$ 50,000	\$25,000	\$ 75,000
9/1/2016	95,000	50,000	145,000
9/1/2017	100,000	50,000	150,000
9/1/2018	100,000	50,000	150,000
9/1/2019	100,000	50,000	150,000
9/1/2020	100,000	60,000	160,000
9/1/2021	105,000	60,000	165,000
9/1/2022	110,000	60,000	170,000
9/1/2023	110,000	60,000	170,000
9/1/2024	115,000	60,000	175,000
9/1/2025	120,000	65,000	185,000
9/1/2026	120,000	70,000	190,000
9/1/2027	125,000	70,000	195,000
9/1/2028	-	270,000	270,000

DEBT SERVICE COVERAGE

Set forth below is debt service coverage information for the Series 2014 Bonds using tax receipts from the other one percent sales and use tax of the City for the twelve month period ended _____, 2014. THERE IS NO GUARANTEE THAT SUCH ASSUMPTION WILL BE CONSISTENT WITH ACTUAL EVENTS.

Actual collections of the Tax by the City will depend upon, among other things, the level of retail activity within the City, the economic health of the surrounding trade area and possible future actions by the General Assembly of the State or amendments to the Arkansas State Constitution defining transactions subject to the Tax. The figure set forth below is only an estimate and there can be no assurance that actual tax receipts will equal the estimate shown below. See SECURITY FOR THE SERIES 2014 BONDS – Future Tax Receipts.

Based upon the pledge of 100% of the collections of the Tax, estimated debt service coverage is as follows:

Estimated Tax Receipts Available for Debt Service (A)	\$210,212
Maximum Annual Debt Service (B)	\$165,281
Coverage (A/B)	1.27x

THE AUTHORIZING ORDINANCE

Set forth below is a summary of certain portions of the Authorizing Ordinance. This summary does not purport to be comprehensive and reference is made to the full text of the Authorizing Ordinance for a complete description of its provisions.

Establishment of Funds. The Authorizing Ordinance creates a Revenue Fund, a Bond Fund and a Construction Fund. The Revenue Fund and the Bond Fund will be held by the Trustee.

Revenue Fund. All monthly Tax Receipts received by the Trustee shall be deposited into the Revenue Fund. From the Revenue Fund, the Tax Receipts to be used to pay the principal of, interest on and Trustee's and paying agent's fees when due in connection with the Series 2014 Bonds and to maintain the Debt Service Reserve Fund for the Series 2014 Bonds at its required level shall be transferred to the Bond Fund.

Bond Fund. (a) The Trustee shall maintain a special fund of the City in the Trustee which is created by the Authorizing Ordinance and designated "Sales and Use Tax Bond Fund" (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, the Trustee's fees and expenses and other administrative charges, and any arbitrage rebate due under Section 148(f) of the Code. Moneys in the Bond Fund shall be used on each interest payment date (or in the case of a rebate payment under clause (5) on any date due) in the following order of priority as and when necessary:

- (1) to pay the interest on the Bonds then due; and
- (2) to pay the principal of the Bonds then due at maturity or upon mandatory sinking fund redemption; and
- (3) to make provision in the Bond Fund for payment of one-half of the principal next due on the Bonds at maturity or upon mandatory sinking fund redemption if principal is not due on such interest payment date; and
- (4) to transfer into the Debt Service Reserve Account (hereinafter identified) such amounts as necessary to increase the Debt Service Reserve Account to the required level (hereinafter defined); and
- (5) to pay the Trustee's fees and expenses and other administrative charges then due; and

(6) to pay the amount which is payable as arbitrage rebate to the United States Treasury under Section 148(f) of the Code; and

(7) to redeem Bonds prior to maturity according to the redemption provisions of the Bonds.

(b) There shall be established and maintained in the Bond Fund a Debt Service Reserve Account in an amount equal to the maximum annual debt service requirements on the Bonds (the "required level"). The City shall fund the Debt Service Reserve Account at the times the Bonds are issued. Moneys in the Debt Service Reserve Account shall be used to make the payments required by clauses (1) and (2) of paragraph (a) above if moneys 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 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) any arbitrage rebate due the United States Treasury under Section 148(f) of the Code, there shall be no obligation to make any further payments into the Bond Fund.

Construction Fund. Proceeds of the Series 2014 Bonds less the amounts deposited into the Cost of Issuance Account and the Bond Fund will be deposited into the Construction Fund, which will not be held by the Trustee. Moneys in the Construction Fund are to be expended for constructing recreational facilities for the City. Any balance remaining in the Construction Fund not needed to complete the improvements will be used to redeem Series 2014 Bonds.

Cost of Issuance Account. The balance of the proceeds, after the deposit made into the Bond Fund and Construction Fund, will be deposited into the Cost of Issuance Account. The moneys in the Cost of Issuance Account shall be used for paying expenses for issuing the Bonds.

When all required expenses have been paid from the Cost of Issuance Account, upon the direction of the City, the Trustee shall transfer any remaining balance in the Cost of Issuance Account to the Bond Fund.

Investments. (a) Moneys held for the Cost of Issuance Account may be invested and reinvested pursuant to the direction of the City by the Trustee in (i) direct or fully guaranteed obligations of the United States of America ("Government Securities"), (ii) in certificates or time deposits of banks, including the Trustee, which are members of the Federal Deposit Insurance Corporation ("FDIC"), or (iii) other investments as may, from time to time, be permitted by law.

(b) Moneys held for the credit of the Bond Fund and the Revenue Fund shall be continuously invested and reinvested pursuant to the direction of the City by the Trustee in (i) Government Securities, or (ii) certificates or time deposits of banks, including the Trustee, insured by the FDIC, or, if in excess of insurance coverage, are collateralized by Government Securities or other securities authorized by Arkansas law to secure public funds, which shall mature, or which will be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates on which the money should be required for the payment of the principal of and interest on the Bonds when due. 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 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 investment shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund. The maximum interest investment period for any investment will be five years.

(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 depository bank or banks.

Certain Covenants. The City covenants that it will not take, suffer or permit any action which may cause the interest payable on the Series 2014 Bonds to be included in gross income for federal income tax purposes, including any use of proceeds of the sale of the Series 2014 Bonds or receipts from the Tax directly or indirectly in such manner as to cause the Series 2014 Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

Parity Bonds. The City covenants that it will not issue any other bonds, or incur any obligation, secured by a superior lien on or pledge of the Tax Receipts.

Defaults and Remedies. If there be any default in the payment of the principal of and interest on any of the Series 2014 Bonds, or if the City defaults in the performance of any covenant contained in the Ordinance, the Trustee may, and upon the written request of the owners of not less than twenty-five percent (25%) in principal amount of the Series 2014 Bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State, under the Authorizing Ordinance, take any action or obtain any proper relief in law or equity available under the constitution and laws of the State.

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 the Authorizing 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 twenty-five percent (25%) in principal amount of the Series 2014 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 in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trust of the Authorizing Ordinance or to any other remedy thereunder. No one or more owners of the Series 2014 Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Authorizing Ordinance, or to enforce any right thereunder except in the manner therein provided, that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit of all owners of the outstanding Series 2014 Bonds, and any individual rights of action or other right given to one or more of such owners by law are restricted by the Authorizing Ordinance to the rights and remedies therein detailed.

All rights of action under the Authorizing Ordinance or under any of the Series 2014 Bonds secured thereby, enforceable by the Trustee, may be enforced by it without the possession of any of the Series 2014 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 Series 2014 Bonds, subject to the provisions of the Authorizing Ordinance.

No remedy conferred upon or reserved to the Trustee or to the owners of the Series 2014 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Authorizing Ordinance or given by any law or by the Constitution of the State.

No delay or omission of the Trustee or of any owners of the Series 2014 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 the Authorizing Ordinance to the Trustee and to the owners of the Series 2014 Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon the written request of the owners of not less than ten percent (10%) in principal amount of the Series 2014 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 provision of the Authorizing 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.

Defeasance. The Series 2014 Bonds shall be deemed paid when there has been deposited with the Trustee in the Bond Fund an amount sufficient to pay the principal of and interest on the Series 2014 Bonds to the date of maturity or redemption. The Series 2014 Bonds shall also be deemed paid if there shall be irrevocably deposited with the Trustee Government Securities that mature according to their terms on or prior to the date of maturity or redemption of the Series 2014 Bonds and the principal of and interest on which, together with any moneys on deposit with the Trustee, will provide an amount sufficient to pay in full the principal or redemption price of any interest on the Series 2014 Bonds when due.

On the payment of all the Series 2014 Bonds within the meaning of the Authorizing Ordinance, the Trustee shall hold in trust, for the benefit of the owners of such Series 2014 Bonds, all such moneys or Government Securities.

When all the Series 2014 Bonds shall have been paid within the meaning of the Authorizing Ordinance, the Trustee shall take all appropriate action to cause (i) the pledge and lien of the Authorizing Ordinance to be discharged and canceled, (ii) all moneys held by it pursuant to the Authorizing Ordinance and which are not required for the payment of the Series 2014 Bonds to be paid over or delivered to or at the direction of the City.

The Trustee. The Trustee shall be responsible for the exercise of good faith and ordinary prudence in the execution of its trusts and duties. The recitals on the Authorizing Ordinance and in the Series 2014 Bonds are the recitals of the City and not of the Trustee. The Trustee shall not be required to take any action unless it shall have been requested to do so in writing by the owners of not less than twenty-five percent (25%) in principal amount of Series 2014 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 sixty (60) days' notice in writing to the City and the owners of the Series 2014 Bonds, and the majority in principal amount of the owners of the outstanding Series 2014 Bonds at any time, with or without cause,

may remove the Trustee. In the event of a vacancy in the office of the Trustee either by resignation or by removal, the majority in principal amount of the owners of the outstanding Series 2014 Bonds may appoint a new Trustee, such appointment to be evidenced by a written instrument or instruments filed with the City. If the majority in principal amount of the owners of the outstanding Series 2014 Bonds shall fail to fill a vacancy within thirty (30) days after the same shall occur, then the City shall forthwith designate a new Trustee. No Trustee may resign until a successor Trustee is in place. The Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts and duties imposed upon it by the Authorizing Ordinance, but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective owners of the Series 2014 Bonds agree. Such written acceptance shall be filed with the City, 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.

Supplemental Ordinances. The terms of the Authorizing Ordinance constitute a contract between the City and the owners of the Series 2014 Bonds and no variation or change in the undertaking set forth in the Authorizing Ordinance shall be made while any of the Series 2014 Bonds are outstanding, except as hereinafter set forth, and the owner of any Series 2014 Bonds may at any time for and on his own behalf or for and on behalf of all Bond owners enforce the obligations of the City by a proper suit for that purpose. The owners of not less than seventy-five per cent (75%) in aggregate principal amount of the Series 2014 Bonds then outstanding shall have the right, from time to time, to consent to and approve the adoption by the City of a supplemental ordinance 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 the Authorizing Ordinance or in any supplemental ordinance. The Trustee may consent to any change without the consent of seventy-five percent (75%) of the owners of the aggregate principal amount of Series 2014 Bonds outstanding in order to cure any ambiguity or formal defect or omission in the Authorizing Ordinance or any amendment thereto, provided, however, that nothing therein contained shall permit or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond issued thereunder, or (b) a reduction in the principal amount of any Bond or the rate or interest thereon, or (c) the creation of a pledge or receipts of the Taxes superior to the pledge created by the Authorizing Ordinance, or (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

THE PROJECT

At the special election held June 24, 2014, there was approved the issuance of the Bonds in the aggregate principal amount of \$2,350,000 for financing the construction of recreational facilities for the City.

The City will also fund a debt service reserve and pay costs of issuing the Series 2014 Bonds from the Series 2014 Bond proceeds.

THE CITY

The City of Elkins is located in Washington County, Arkansas and is a city of the second class organized and existing under the laws of the State of Arkansas. The City is located in the northwest part of the State and is approximately 180 miles northwest of Little Rock, Arkansas, and 10 miles south of Fayetteville, Arkansas.

The City and County have experienced steady increases in population over the last few decades. Population figures, according to the United States Census are as follows:

<u>Year</u>	<u>City Population</u>	<u>County Population</u>
2012	2,626	204,057
2011	2,520	200,621
2010	2,648	203,065
2000	1,251	157,715
1990	692	113,409

Source: 2011 and 2012 data are estimates from the U.S. Census Bureau's American Community Survey. 2010, 2000, 1990 data are from each respective Census.

Transportation

The City is served by Highway No. 16.

Government

The City has the Mayor-City Council form government, under which the City is governed by a City Council and Mayor. The Mayor serves a 4-year term while the members of the City Council serve a 2-year term. The current Mayor and City Councilmen and the years in which terms expire are as follows:

		<u>Term</u>
Mayor:	Bruce Ledford	December 31, 2014
Aldermen:	Josh Bowen	December 31, 2014
	Duane Rickert	December 31, 2014
	Janet Mott	December 31, 2014
	Lloyd Stith	December 31, 2014
	Eric McGill	December 31, 2014
	Jeff Plumlee	December 31, 2014
Recorder/Treasurer:	Delia Foster	December 31, 2016

Income

Per capita personal income figures for Washington County and the State of Arkansas are as follows:

<u>Year</u>	<u>Washington County</u>	<u>Arkansas</u>
2012	34,865	35,437
2011	33,904	34,032
2010	31,955	32,053
2009	31,458	32,315
2008	31,246	32,597
2007	30,166	31,424
2006	28,463	29,455
2005	27,280	27,907

Retail sales figures for Washington County and the State of Arkansas are as follows:

<u>Year</u>	<u>Washington County</u>	<u>Arkansas</u>
2013	\$4,248,785,243	\$45,797,494,447
2012	3,728,445,476	42,262,643,705
2011	3,729,884,951	42,160,822,404
2010	3,545,573,887	38,330,197,315

Source: Nielsen Claritas 2010-2013

Employment

Unemployment figures for Washington County and the State of Arkansas are as follows:

<u>Year</u>	<u>Washington County</u>	<u>Arkansas</u>
2013	5.6%	7.5%
2012	5.6	7.5
2011	6.0	8.0
2010	6.7	7.9
2009	5.8	7.4
2008	4.3	5.3
2007	4.3	5.2
2006	4.3	5.3
2005	4.4	5.1

Major employers in Washington County, their products or services and approximate number of employees are set forth below:

<u>Organization Name</u>	<u>Product or Service</u>	<u>Appx. Number of Employees</u>
Tyson Foods, Inc.	Poultry processing plants	2,500 +
University of Arkansas	Schools, universities and colleges	2,500 +
PAM Transport, Inc.	Trucking	1,000-2,499
Walmart Stores, Inc.	Retail stores	1,000-2,499
George's Processing, Inc.	Poultry processing	1,000-2,499
Washington Regional Med Ctr	Health Care	1,000-2,499
Rockline Industries, Inc.	Sanitary paper products	500- 999
Pinnacle Food Corporation	Frozen food processors	300- 499

Deposits

The following is a table of bank deposits for all banks (does not include savings and loan institutions) in Washington County.

<u>Year</u>	<u>Washington County</u>
2013	\$3,634,150,000
2012	3,543,429,000
2011	3,475,024,000
2010	3,399,515,000
2009	3,368,352,000

Source: State Data Center, UALR

UNDERWRITING

Under a Bond Purchase Agreement (the "Agreement") entered into by and between the City, as issuer, and Stephens Inc., as underwriter (the "Underwriter"), the Series 2014 Bonds are being purchased at a price of \$2,313,383.83 (principal amount less Underwriter's discount of \$41,125 or 1.75% of par) plus accrued interest of \$4,508.83. The Agreement provides that the Underwriter will purchase all of the Series 2014 Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2014 Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the Series 2014 Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial or business condition of the City.

The Underwriter intends to offer the Series 2014 Bonds to the public initially at the offering prices set forth on the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2014 Bonds to the public. The Underwriter may offer and sell Series 2014 Bonds to certain dealers (including dealers depositing Series 2014 Bonds into investments trusts) at prices lower than the public offering price.

The City has agreed to indemnify the Underwriter against certain civil liabilities in connection with the offer and sale of the Series 2014 Bonds, including certain liabilities under federal securities laws.

TAX EXEMPTION

In the opinion of Williams & Anderson PLC, Bond Counsel, under existing law the interest on the Series 2014 Bonds is exempt from all Arkansas state, county and municipal tax.

In the opinion of Bond Counsel, interest on the Series 2014 Bonds under existing law is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2014 Bonds in order that interest

thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Series 2014 Bonds and the 2014 Improvements. Failure to comply with certain of such requirements could cause the interest on the Series 2014 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2014 Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

Prospective purchasers of the Series 2014 Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2014 Bonds, (ii) interest on the Series 2014 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income including interest on the Series 2014 Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Series 2014 Bonds.

The City has designated the Series 2014 Bonds as "qualified tax-exempt obligations" and has covenanted not to use the improvements financed with proceeds of the Series 2014 Bonds and the proceeds of the Series 2014 Bonds in a manner which would cause the Series 2014 Bonds to be "private activity bonds," within the meaning of the Code, and has represented that the City and its subordinate entities have not and do not expect to issue more than \$10,000,000 of such tax-exempt obligations (other than private-activity bonds (excluding from that term "qualified 501(c)(3) bonds" under Section 145 of the Code)) during calendar year 2014.

Prospective purchasers of the Series 2014 Bonds should also be aware that Section 17 of Act 785 of the Acts of Arkansas of 1993 added new subsections (b) and (c) to Section 26-51-431 of the Arkansas Code of 1987 Annotated. Subsection (b) states that Section 265(a) of the Code is adopted for the purpose of computing Arkansas corporation income tax liability. Subsection (c) provides that in computing Arkansas corporation income tax liability, no deduction shall be allowed for interest "on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law." On December 8, 1993, the Arkansas Department of Finance and Administration Revenue Division issued Revenue Policy Statement 1993-2, which provides in part:

Financial institutions may continue to deduct interest on indebtedness incurred or continued to purchase or carry obligations which generate tax-exempt income to the same extent that the interest was deductible prior to the adoption of Section 17 of Act 785 of 1993.

Certain of the Bonds were sold to purchasers at a discount from par. The difference between the initial offering price at which such bonds were sold and the amount payable at maturity will be treated as "original issue discount" and, in the opinion of Bond Counsel, is excluded from gross income for federal income tax purposes to the extent accrued as described below.

The original discount on the Bonds is treated as accruing on a daily basis over the term of such bonds, computed on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on March 1 and September 1 (with straight line interpolation between compounding dates).

The amounts of original issue discount accruing daily (calculated as described in the preceding paragraph) is excluded from gross income for federal income tax purposes and will be added to the basis of the Bonds. Such adjusted basis will be used to determine taxable gain or loss upon disposition of the Bonds (including sale, redemption or payment at maturity). Original issue discount which has not yet accrued and premium, if any, received by an owner upon any early redemption or other disposition of the Bonds will not constitute tax-exempt interest on such bonds and may give rise to taxable income to the owner.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Bonds. Subsequent purchasers of the Bonds should consult with their own tax advisors with respect to tax consequences of the ownership of the Bonds.

Owners of the Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Bonds. It is possible that under applicable provisions governing the determination of state and local taxes, accrued original issue discount on the Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

LEGAL MATTERS

Legal Opinions. Legal matters incident to the authorization and issuance of the Series 2014 Bonds are subject to the unqualified approving opinion of Williams & Anderson PLC, Little Rock, Arkansas, Bond Counsel.

Litigation. There is no litigation pending seeking to restrain or enjoin the Tax or the issuance or delivery of the Series 2014 Bonds, or questioning or affecting the legality of the Tax or Bonds or the proceedings and authority under which the Series 2014 Bonds are to be issued, or questioning the right of the City to adopt the Authorizing Ordinance and the Tax Ordinance or to issue the Series 2014 Bonds or the levy and pledge of the Tax by the City.

CONTINUING DISCLOSURE

It has been determined that the City failed to file the 2012 Audit and the 2011 Financial Report in a timely manner in connection with its \$2,640,000 Sales and Use Tax Bonds, Series 2012. The City is taking steps to insure that its audits and financial reports are timely filed as required by its continuing disclosure undertakings.

Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of its provisions.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is executed and delivered by the City and the Trustee for the benefit of the Beneficial Owners of the Series 2014 Bonds and in order to assist the Underwriter in complying with the Securities and Exchange Commission, Rule 15c2- 12(b)(5).

Definitions. In addition to the definitions set forth in this Official Statement, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual report provided by the City pursuant to, and as described in, the Continuing Disclosure Agreement.

"Beneficial Owner" of a Series 2014 Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2014 Bonds (including persons holding Series 2014 Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the Trustee acting in its capacity as Dissemination Agent or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Listed Events" shall mean any of the events listed hereunder.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the City's fiscal year (presently December 31), commencing with the report after the end of the 2014 fiscal year, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted not less than thirty (30) days after receipt thereof by the City. If the City's fiscal year changes, it shall give notice of such change in the manner as for a Listed Event.

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the City and the Dissemination Agent to determine if the City is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Trustee shall file a notice to the MSRB.

Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) Information of the type set forth in this Official Statement (a) under the captions THE CITY AND THE COUNTY with respect to (i) City and County population in the latest year for which available and the four (4) previous years for which figures are available; (ii) unemployment rates in the latest year for which available and the four (4) previous years; and (iii) major employers at the City on the date of the report

(b) Tax receipts for the latest calendar year and the four (4) previous years, if available.

(c) The annual audit of the City prepared in accordance with Government Auditing Standards issued by the Comptroller General of the United States and applicable state law.

Any or all of the items above may be incorporated by reference from other documents, including Official Statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, it must be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. A. This caption describes the giving of notices of the occurrence of any of the following events:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
- (7) Modification to rights of security holders, if material.
- (8) Series 2014 Bond calls (excluding mandatory sinking fund redemptions), if material.
- (9) Defeasances and tender offers.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (13) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

B. After the occurrence of a Listed Event (excluding an event described in A(8) above), the City shall promptly notify the Dissemination Agent (if other than the City) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

C. After the occurrence of a Listed Event (excluding an event described in (a)8 above), whether by notice from the Trustee or otherwise, the City shall file (or shall cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.msrb.emma.org> or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent). Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in A(8) above, the Trustee shall make the filing and notice thereof need not be given any earlier than the notice for the underlying event is given to registered owners of affected Series 2014 Bonds pursuant to the terms of the Authorizing Ordinance.

Termination of Reporting Obligation. The City's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Series 2014 Bonds.

Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

Amendment; Waiver. Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the Trustee may amend the Continuing Disclosure Agreement, and any provisions of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2014 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2014 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Series 2014 Bonds in the same manner as provided in the Authorizing Ordinance for amendments to the Authorizing Ordinance with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Trustee, materially impair the interests of the Beneficial Owners of the Series 2014 Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason of the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the City shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default. In the event of a failure of the City or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the City or any Beneficial Owner may (and the Trustee, at the request of the Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Series 2014 Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties of Trustee and Dissemination Agent and Right of Indemnity. The Dissemination Agent (if other than the Trustee) and the Trustee in its capacity as Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's gross negligence or willful misconduct.

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Underwriter and the Beneficial Owners and shall create no rights in any other person or entity.

ENFORCEABILITY OF REMEDIES

Rights of the registered owners of the Series 2014 Bonds and the enforceability of the remedies available under the Authorizing Ordinance may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State of Arkansas or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Authorizing Ordinance resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2014 Bonds.

The information contained in this Official Statement has been taken from sources considered to be reliable, but is not guaranteed. To the best of the knowledge of the undersigned the Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

[Signature page follows]

The execution of this Official Statement has been duly authorized by the City.

CITY OF ELKINS, ARKANSAS

By: /s/ Bruce Ledford
Mayor

Dated: As of the Cover Page hereof.

APPENDIX A

SUMMARY OF STATE SALES AND USE TAX PROVISIONS

Sales Tax. The sales tax portion of the Tax is generally levied upon the gross proceeds and receipts derived from all sales to any person within the City of the following (list not exclusive):

- (a) Tangible personal property;
- (b) Natural or artificial gas, electricity, water, ice, steam, or any other utility or public service except transportation services, sewer services and sanitation or garbage collection services;
- (c)
 - (i) Service by telephone, telecommunications and telegraph companies to subscribers or users, including transmission of messages or images, whether local or long distance, including all service, installation, construction and rental charges having any connection with transmission of any message or image;
 - (ii) Service of furnishing rooms, suites, condominiums, townhouses, rental houses or other accommodations by hotels, apartment hotels, lodging houses, tourist camps, tourist courts, property management companies, or any other provider of accommodations to transient guests;
 - (iii) Service of cable television, community antenna television, and any and all other distribution of television, video, or radio services with or without the use of wires provided to subscribers, paying customers or users, including installation, service, rental, repair and other charges having any connection with the providing of the said services;
 - (iv) Service of initial installation, alteration, addition, cleaning, refinishing, replacement and repair of motor vehicles, aircraft, farm machinery and implements, motors of all kinds, tires and batteries, boats, electrical appliances and devices, furniture, rugs, flooring, upholstery, household appliances, televisions and radios, jewelry, watches and clocks, engineering instruments, medical and surgical instruments, machinery of all kinds, bicycles, office machines and equipment, shoes, tin and sheet metal, mechanical tools and shop equipment; however, the tax does not apply to (A) coin operated car washes, (B) the maintenance or repair of railroad parts, railroad cars and equipment brought into the City solely and exclusively for the purpose of being repaired, refurbished, modified, or converted within the City, (C) the service of alteration, addition, cleaning, refinishing, replacement or repair of commercial jet aircraft or commercial jet aircraft components or subcomponents, (D) the repair or remanufacture of industrial metal rollers or platens that have a remanufactured non-metallic material covering on all or a part of the roller or platen surface, or (E) the initial installation, alteration, addition, cleaning, refinishing, replacement or repair of non-mechanical, passive or manually operated components of buildings or other improvements or structures affixed to real estate;
 - (v) Service of providing transportation or delivery of money, property or valuables by armored car; service of providing cleaning or janitorial work; service of pool cleaning and servicing; pager services; telephone answering services; landscaping and non-residential lawn care services; service of parking a motor vehicle or allowing a motor vehicle to be parked; service of storing a motor vehicle; service of storing furs; and the service of providing indoor tanning at a tanning salon;
- (d) Printing of all kinds, types and characters, including the service of overprinting, and photography of all kinds;
- (e) Tickets or admissions to places of amusement, to athletic, entertainment, recreational events, or fees for the privilege of having access to or the use of amusement, entertainment, athletic or recreational facilities, including free or complimentary passes and tickets, admissions, dues or fees;

(f) Dues and fees to health spas, health clubs and fitness clubs; dues and fees to private clubs which hold any permit from the Alcoholic Beverage Control Board allowing the sale, dispensing or serving of alcoholic beverages of any kind on the premises;

(g) Contracts, including service contracts, maintenance agreements, and extended warranties, which in whole or in part provide for future performance of or payment for services which are subject to gross receipts tax;

(h) Retail sale of any device used in playing bingo and any charge for admittance to facilities or for the right to play bingo or other games of chance;

(i) Prepaid telephone calling cards or prepaid authorization numbers and the recharge of such cards or numbers;

(j) Beer, wine, liquor, or any intoxicating beverages;

(k) Tangible personal property and services sold to financial institutions;

(l) Wrecker and towing services;

(m) Collection and disposal of solid wastes;

(n) Cleaning of parking lots and gutters;

(o) Dry cleaning and laundry services;

(p) Industrial laundry services;

(q) Body piercing, tattooing, and electrolysis services;

(r) Pest control services;

(s) Security and alarm monitoring services;

(t) Boat storage and docking fees;

(u) Furnishing camping spaces or trailer spaces at public or privately-owned campgrounds, except for federal campgrounds, on less than a month-to-month basis;

(v) Locksmith services;

(w) Pet grooming and kennel services; and

(x) Portable toilet lease or rental and services associated with the lease or rental of portable toilets.

Exemptions from Sales Tax. As summarized below, several types of transactions have been exempted from the sales tax by the General Assembly of the State. Some of the current exemptions include the sale of:

(a) New or used house trailers, mobile homes, aircraft, motor vehicles, trailers or semi-trailers and a used house trailer, mobile home, aircraft, motor vehicle, trailer or semi-trailer is taken as a credit or part payment of the purchase price, when the total consideration is less than the following: \$2,000 for aircraft, house trailers and mobile homes (or \$10,000 in case the house trailer or mobile home is a "manufactured home"); and \$4,000 for motor vehicles, trailers and semi-trailers;

- (b) Aircraft held for resale and used for rental or charter, whether by a business or an individual for a period not to exceed one year from the date of purchase of aircraft;
- (c) Tangible personal property or services by churches, except where such organizations may be engaged in business for profit;
- (d) Tangible personal property or services by charitable organizations, except where such organizations may be engaged in business for profit;
- (e) Food in public, common, high school or college cafeterias and lunchrooms operated primarily for teachers and pupils, and not operated primarily for the public or for profit;
- (f) Newspapers;
- (g) Property or services to the United States Government; motor vehicles and adaptive equipment to disabled veterans who have purchased said vehicles or equipment with financial assistance of the Veterans Administration; tangible personal property to and leasing motor vehicles to the Boy Scouts of America, the Girl Scouts of America or any of the Scout Councils in the State; tangible personal property or service to the Salvation Army, Heifer Project International, Inc., or Habitat for Humanity; tangible personal property or service to the Boys Clubs of America or any local councils or organizations of the Boys Clubs of America, the Girls Clubs of America or any local councils or organizations of the Girls Clubs of America, to the Poets' Roundtable of Arkansas, to 4-H Clubs and FFA Clubs, to the Arkansas 4-H Foundation, the Arkansas Future Farmers of America Foundation and the Arkansas Future Farmers of America Association;
- (h) Gasoline or motor vehicle fuel on which the motor vehicle fuel or gasoline tax has been paid to the State, special fuel or petroleum products sold for consumption by vessels, barges and other commercial watercraft and railroads, dyed distillable special fuel on which a tax has been paid and biodiesel fuel;
- (i) Property resales to persons regularly engaged in the business of reselling the articles purchased;
- (j) Advertising space in newspapers and publications and billboard advertising services;
- (k) Gate admissions at State, district, county or township fairs or at any rodeo if the receipts derived from gate admissions to the rodeo are used exclusively for the improvement, maintenance and operation of such rodeo, and if no part of the net earnings thereof inures to the benefit of any private stockholder or individual;
- (l) Property or services which the State is prohibited by the constitution or laws of the United States or by the constitution of the State from taxing or further taxing and tangible personal property exempted from taxation by the Arkansas Compensating (Use) Tax Act of 1949, as amended;
- (m) Isolated sales not made by an established business;
- (n) Cotton, seed cotton, lint cotton, baled cotton, whether compressed or not, or cotton seed in its original condition; seed for use in commercial production of an agricultural product or of seed; raw products from the farm, orchard or garden, where such sale is made by the producer of such raw products directly to the consumer and user; livestock, poultry, poultry products and dairy products of producers owning not more than five cows; and baby chickens;
- (o) Foodstuffs to governmental agencies for free distribution to any public, penal and eleemosynary institutions or for free distribution to the poor and needy, and the rental or sale of medical equipment, for the benefit of persons enrolled in and eligible for Medicare or Medicaid programs;

(p) Tangible personal property or services provided to any hospital or sanitarium operated for charitable and nonprofit purposes or any nonprofit organization whose sole purpose is to provide temporary housing to the family members of patients in a hospital or sanitarium;

(q) Used tangible personal property when the used property was (1) traded in and accepted by the seller as part of the sale of other tangible personal property and (2) the Arkansas Gross Receipts Tax was collected and paid on the total amount of consideration for the sale of the other tangible personal property without any deduction or credit for the value of the used tangible personal property; provided, however, this exemption does not apply to transactions involving used automobiles, used mobile homes, or used aircraft;

(r) Unprocessed crude oil;

(s) Tangible personal property consisting of machinery and equipment used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at (i) new manufacturing or processing plants or facilities in the State or (ii) existing manufacturing or processing plants or facilities in the State if the tangible personal property is used to replace existing machinery and equipment;

(t) Property consisting of machinery and equipment required by State law or regulation to be installed and utilized by manufacturing or processing plants or facilities to prevent or reduce air and/or water pollution or contamination;

(u) Electricity used in the manufacture of aluminum metal by the electrolytic reduction process and sale of articles sold on the premises of the Arkansas Veterans Home;

(v) Automobile parts which constitute "core charges," which are received for the purpose of securing a trade-in for the article purchased;

(w) Bagging and other packaging and tie materials sold to and used by cotton gins for packaging and/or tying baled cotton and from the sale of twine which is used in the production of tomato crops;

(x) Prescription drugs by licensed pharmacists, hospitals, oncologists or dispensing physicians, and oxygen sold for human use on prescription of a licensed physician;

(y) Property or services to humane societies;

(z) Vessels, barges and towboats of at least fifty tons load displacement and parts and labor used in the repair and construction of the same;

(aa) Property or sales to all orphans' homes, or children's homes, which are not operated for profit and whether operated by a church, religious organization or other benevolent charitable association;

(bb) Agricultural fertilizer, agricultural limestone, agricultural chemicals, and water purchased from a public surface-water delivery project to reduce or replace water used for in-ground irrigation or reduce dependence on ground water for agriculture.

(cc) Sale of tickets or admissions, by municipalities and counties, to places of amusement, to athletic entertainment, recreational events, or fees for the privilege of having access to or the use of amusement, entertainment, athletic or recreational facilities, including free or complimentary passes, tickets, admissions, dues or fees;

(dd) New and used farm machinery and equipment;

(ee) New automobiles to a veteran of the United States Armed Services who is blind as a result of a service connected injury;

(ff) Motor vehicles sold to municipalities, counties, school districts, and state supported colleges and universities;

(gg) School buses sold to school districts and, in certain cases, to other purchasers providing school bus service to school districts;

(hh) Catalysts, chemicals, reagents, and solutions which are consumed or used by manufacturing or processing plants or facilities in the State in producing, manufacturing, fabricating, processing, or finishing articles of commerce or to prevent or reduce air or water pollution or contamination;

(ii) Feedstuffs used in the commercial production of livestock or poultry;

(jj) New custom manufactured homes constructed from materials on which the State sales tax has been paid;

(kk) The first 500 kilowatt hours of electricity per month and the total franchise tax billed to each residential customer whose household income is less than \$12,000 per year;

(ll) Electricity and natural gas to qualified steel manufacturers;

(mm) Tangible personal property lawfully purchased with food stamps, food coupons, food instruments or vouchers in connection with certain Federal programs;

(nn) Publications sold through regular subscriptions;

(oo) Tickets for admission to athletic events and interscholastic activities of public and private elementary and secondary schools in the State and tickets for admission to athletic events at public and private colleges and universities in the State;

(pp) Prescriptive adaptive medical equipment and prescriptive disposable medical equipment;

(qq) Insulin and test strips for testing blood sugar levels in humans;

(rr) Telephone instruments sent into the State for refurbishing or repair and then shipped back to the state of origin;

(ss) Industrial metal rollers sent into the State for repair or remanufacture and then shipped back to the state of origin;

(tt) New motor vehicles purchased by non-profit organizations and used for the performance of contracts with the Department of Human Services, and new motor vehicles purchased with Urban Mass Transit Administration funds if (i) the vehicles are purchased in lots of ten vehicles, (ii) meet minimum State specifications, and (iii) vehicles are used for transportation under the Department of Human Services' programs for the aging, disabled, mentally ill, and children and family services;

(uu) Motor fuels to owners or operators of motor buses operated on designated streets according to regular schedule and under municipal franchise which are used for municipal transportation purposes;

(vv) Parts or other tangible personal property incorporated into or which become a part of commercial jet aircraft component or subcomponents;

(ww) Transfer of fill material by a business engaged in transporting or delivering fill material;

(xx) Long-term leases, thirty days or more, of commercial trucks used for interstate transportation of goods under certain conditions;

- (yy) Foodstuffs to nonprofit agencies;
- (zz) Tangible personal property consisting of forms constructed of plaster, cardboard, fiberglass, natural fibers, synthetic fibers or composites and which are destroyed or consumed during the manufacture of the item;
 - (aaa) Natural gas used as a fuel in the process of manufacturing glass;
 - (bbb) Sales to Fort Smith Clearinghouse;
 - (ccc) Substitute fuel used in producing, manufacturing, fabrication, assembling, processing, finishing or packaging of articles at manufacturing facilities or processing plants in the State;
 - (ddd) Railroad rolling stock used in transporting persons or property in interstate commerce;
 - (eee) Parts or other tangible personal property which become a part of railroad parts, railroad cars and equipment brought into the State for the purpose of being repaired, refurbished, modified or converted within the State;
 - (fff) Fire protection and emergency equipment to be owned by and exclusively used by a volunteer fire department, and supplies and materials to be used in the construction and maintenance of volunteer fire departments;
 - (ggg) Gas produced from biomass and sold for the purpose of generating energy to be sold to the gas producer;
 - (hhh) Fuel packaging materials sold to a person engaged in the business of processing hazardous and non-hazardous waste materials into fuel products at an approved site and machinery and equipment, including analytical equipment and chemicals used directly in the processing and packaging of hazardous and non-hazardous waste materials into fuel products at an approved site;
 - (iii) Electricity and natural gas used in the manufacturing of wall and floor tile by approved manufacturers;
 - (jjj) Textbooks, library books, and instructional materials purchased by an Arkansas school district or the State for free distribution to Arkansas schools or school districts;
 - (kkk) Tangible personal property or services to the Arkansas Symphony Orchestra, Inc.;
 - (III) Electricity used for the production of chlorine and other chemicals using a chlor-alkali manufacturing process;
 - (mmm) Tangible personal property or services to a qualified museum; () Livestock reproduction equipment or services;
 - (ooo) Natural gas and electricity used in the manufacturing of tires in the State;
 - (ppp) Thermal imaging equipment purchased by a county government for use by law enforcement aircraft;
 - (qqq) Tangible property or services to the Arkansas Search Dog Association, Inc.;
 - (rrr) Certain new or used trucks to be engaged in interstate commerce;
 - (sss) Tangible personal property or services to the Arkansas Black Hall of Fame Foundation;

- (ttt) Kegs purchased by a wholesale beer manufacturer and used to sell beer wholesale.

Reference is made to "The Arkansas Gross Receipts Act of 1941," Title 26, Chapter 52 of the Arkansas Code of 1987 Annotated, for more information concerning the sales tax.

Use Tax. The use tax portion of the Tax is levied on every person for the privilege of storing, using, distributing or consuming in the City any article of tangible personal property purchased for storage, use, distribution or consumption. The use tax applies to the use, distribution, storage or consumption of every article of tangible personal property except as hereinafter provided. The use tax does not apply to aircraft equipment, and railroad parts, cars, and equipment, nor to tangible personal property owned or leased by aircraft, automotive or railroad companies brought into the City solely and exclusively for refurbishing, conversion, or modification within the City or storage for use outside or inside the City regardless of the length of time any such property is so stored in the City. The use tax is levied on the following described tangible personal property:

- (a) Tractors, trailers, semi-trailers, trucks, buses and other rolling stock, including replacement tires, used directly in the transportation of persons or property in intrastate or interstate common carrier transportations;
- (b) Property (except fuel) consumed in the operation of railroad rolling stock;
- (c) Transmission lines and pumping or pressure control equipment used directly in or connected to the primary pipeline facility engaged in intrastate or interstate common carrier transportation of property;
- (d) Airplanes and navigation instruments used directly in or becoming a part of flight aircraft engaged in transportations of persons or property in regular scheduled intrastate or interstate common carrier transportation;
- (e) Exchange equipment, lines, boards and all accessory devices used directly in and connected to the primary facility engaged in the transmission of messages;
- (f) Transmission and distribution pipelines in pumping or pressure control and equipment used in connection therewith used directly in primary pipeline facility for the purpose of transporting and delivering natural gas;
- (g) Transmission and distribution lines, pumping machinery and controls used in connection therewith in cleaning or treating equipment of primary water distribution system;
- (h) Property of public electric power companies consisting of all machinery and equipment including reactor cores and related accessory devices used in the generation and production of electric power and energy and transmission facilities consisting of the lines, including poles, towers and other supporting structures, transmitting electric power and energy together with substations located on or attached to such lines;
- (i) Computer software; and
- (j) Tangible personal property provided to a financial institution.

Exemptions from Use Tax. Some of the property exempted from the use tax by the General Assembly of the State is as follows:

- (a) Property, the storage, use or consumption of which the State is prohibited from taxing under the Constitution or laws of the United States of America or the State;
- (b) Sales of tangible personal property in which the tax under the Arkansas Gross Receipts Act of 1941 is levied;

- (c) Tangible personal property which is exempted from the sales tax under the Arkansas Gross Receipts Act of 1941;
- (d) Feedstuffs used in the commercial production of livestock or poultry in the State;
- (e) Unprocessed crude oil;
- (f) Machinery and equipment used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at manufacturing or processing plants or facilities in the State, including facilities and plants for manufacturing feed, processing of poultry and/or eggs and livestock and the hatching of poultry and such equipment is either (1) purchased to create or expand manufacturing or processing plants in the State, (2) purchased to replace existing machinery and used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at manufacturing or processing plants in the State, or (3) required by State law to be installed and utilized by manufacturing or processing plants to prevent or reduce air and/or water pollution or contamination;
- (g) Custom manufactured homes constructed with materials on which the sales or use tax has once been paid;
- (h) Aircraft, aircraft equipment, railroad parts, cars, and equipment, and tangible personal property owned or leased by aircraft, airmotive, or railroad companies, brought into the State solely and exclusively for refurbishing, conversion, or modification or for storage for use outside or inside the State;
- (i) Vessels, barges, and towboats of at least 50 tons load displacement and parts and labor used in the repair and construction of them;
- (j) Motor fuels to the owners or operators of motor buses operated on designated streets according to regular schedule, under municipal franchise, which are used for municipal transportation purposes;
- (k) Agricultural fertilizer, agricultural limestone, agricultural chemicals, including agricultural pesticides and herbicides used in commercial production of agricultural products, and vaccines, medications, and medicinal preparations, used in treating livestock and poultry being grown for commercial purposes and other ingredients used in the commercial production of yeast;
- (l) All new and used motor vehicles, trailers or semi-trailers that are purchased for a total consideration of less than \$4,000;
- (m) Any tangible personal property used, consumed, distributed, or stored in this State upon which a like tax, equal to or greater than the Arkansas Compensating (Use) Tax, has been paid in another state;
- (n) Prescriptive adaptive medical equipment and prescriptive disposable medical equipment;
- (o) Fire protection and emergency equipment to be owned by and exclusively used by a volunteer fire department, and supplies and materials to be used in the construction and maintenance of volunteer fire departments;
- (p) Electricity and natural gas used in the manufacturing of wall and floor tile by approved manufacturers;
- (q) Tangible personal property consisting of forms constructed of plaster, cardboard, fiberglass, natural fibers, synthetic fibers or composites and which are destroyed or consumed during the manufacture of the item;

- (r) Natural gas used as a fuel in the process of manufacturing glass;
- (s) Sales to Fort Smith Clearinghouse;
- (t) Prepaid telephone calling cards or prepaid authorization numbers and the recharge of such cards or numbers;
- (u) Foodstuffs to nonprofit agencies;
- (v) Tangible personal property or services for a qualified museum;
- (w) Certain new or used trucks to be engaged in interstate commerce; and
- (x) Railroad rolling stock manufactured for use in transporting persons or property in interstate commerce.

Reference is made to "The Arkansas Compensating (Use) Tax Act of 1949," Title 26, Chapter 53 of the Arkansas Code of 1987 Annotated, for more information concerning the use tax.

APPENDIX B

FORM OF BOND COUNSEL OPINION

September __, 2014

Regions Bank
Little Rock, Arkansas

Re: \$2,350,000 City of Elkins, Arkansas Sales and Use Tax Bonds, Series 2014

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Elkins, Arkansas (the "City") of \$2,350,000 City of Elkins, Arkansas Sales and Use Tax Bonds, Series 2014, dated September 1, 2014 (the "Series 2014 Bonds"). The Series 2014 Bonds are being issued to finance the costs of capital improvements, provide a debt service reserve and pay expenses of authorizing and issuing the Series 2014 Bonds. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion, including particularly a certified copy of Ordinance No. 08-21-2014A of the City adopted on August 21, 2014, authorizing the issuance of the Series 2014 Bonds (the "Authorizing Ordinance"), and Ordinance No. 03-20-2014A of the City adopted on March 20, 2014 (the "Tax Ordinance"), levying a 3/4% sales and use tax within the City ("Tax").

As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Series 2014 Bonds have been lawfully authorized and issued under the Constitution and laws of the State of Arkansas now in force, including particularly 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"), and are valid and binding obligations of the City enforceable in accordance with their terms.

2. The Series 2014 Bonds are not general obligations of the City but are special obligations payable from and secured by a pledge of collections of the Tax duly levied by the City under the authority of Title 26, Chapter 75, Subchapter 3 of the Arkansas Code of 1987 Annotated and the Tax Ordinance. The Series 2014 Bonds are not secured by any lien on or security interest in any physical properties of the City.

3. The interest on the Series 2014 Bonds (including any original issue discount properly allocable thereto) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2014 Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. The City has covenanted in the

Authorizing Ordinance to comply with all such requirements. Failure to comply with certain of such requirements could cause the interest on the Series 2014 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2014 Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2014 Bonds, except as set forth in paragraph 4 below.

4. The Series 2014 Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

5. The Series 2014 Bonds and income thereon are exempt from all Arkansas state, county and municipal tax.

It is to be understood that the rights of the registered owners of the Series 2014 Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Sincerely yours,

WILLIAMS & ANDERSON PLC