

**NEW ISSUE
BOOK-ENTRY ONLY**

**RATING:
S&P: A+**

*In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excludable 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 the issuance of the Bonds, and the Bonds and interest thereon are exempt from all Arkansas state, county and municipal taxes. In the opinion of Bond Counsel, interest on the 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. See **LEGAL MATTERS**, Tax Exemption herein.*

**\$66,180,000
CITY OF LITTLE ROCK, ARKANSAS
HOTEL AND RESTAURANT GROSS
RECEIPTS TAX BONDS
SERIES 2014**

Dated: July 1, 2014

Due: July 1, as shown below

Principal of and interest on the Bonds are payable from a first and prior pledge of the receipts derived by the City of Little Rock, Arkansas (the "City") from a 2% tax levied by the City on gross receipts or gross proceeds from motels, hotels, restaurants, cafes, cafeterias and other establishments in the City engaged in the business of selling prepared food for consumption on the premises of such establishment. See **THE BONDS**, Security herein. Interest on the Bonds is payable semiannually on January 1 and July 1 in each year, commencing January 1, 2015, and the Bonds mature (on July 1 of each year), bear interest and are priced to yield as follows:

MATURITY SCHEDULE

\$24,315,000 Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Yield(%)</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Yield(%)</u>
2015	\$1,115,000	1.000	0.230	2023	\$1,510,000	5.000	2.790
2016	1,130,000	3.000	0.450	2024	1,590,000	5.000	2.930
2017	1,160,000	3.000	0.820	2025	1,670,000	4.000	3.040*
2018	1,195,000	4.000	1.230	2026	1,735,000	5.000	3.140*
2019	1,245,000	5.000	1.600	2027	1,820,000	5.000	3.240*
2020	1,305,000	5.000	1.940	2028	1,910,000	5.000	3.330*
2021	1,370,000	5.000	2.250	2029	2,010,000	5.000	3.420*
2022	1,440,000	5.000	2.510	2030	2,110,000	5.000	3.490*

\$9,545,000 5.000% Term Bonds Due July 1, 2034 to Yield 3.710%*

\$21,255,000 4.000% Term Bonds Due July 1, 2041 to Yield 4.170%

\$11,065,000 4.125% Term Bonds Due July 1, 2044 to Yield 4.243%

(Accrued interest from July 1, 2014 to be added)

The Bonds of each maturity will be initially issued as a single registered bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Bonds will be available for purchase in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Bonds will be made by Simmons First Trust Company, N.A., Pine Bluff, Arkansas, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Bonds, all as further described herein.

The Bonds are offered, subject to prior sale, when, as and if issued and received by the Underwriters named below, subject to the approval of legality by Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, and subject to certain other conditions.

This cover page contains information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Stephens Inc.
Investment Bankers

 **Crews & Associates**
A FIRST SECURITY Company

Dated: June 24, 2014.

* Priced to the first optional redemption date, July 1, 2024.

No dealer, broker, salesman or other person has been authorized by the City or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or other solicitation of an offer to buy, nor shall there be any sale of the Bonds by any persons in any state in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof.

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OFFICIAL STATEMENT

\$66,180,000
CITY OF LITTLE ROCK, ARKANSAS
HOTEL AND RESTAURANT GROSS
RECEIPTS TAX BONDS
SERIES 2014

INTRODUCTION TO OFFICIAL STATEMENT

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof and exhibit hereto. A full review should be made of the entire Official Statement, as well as the Authorizing Ordinance described herein.

This Official Statement of the City of Little Rock, Arkansas (the "City") is furnished in connection with the offering by the City of its \$66,180,000 principal amount of Hotel and Restaurant Gross Receipts Tax Bonds, Series 2014, dated July 1, 2014 (the "Bonds"). The Bonds are being issued for the purpose of financing a portion of the costs of renovations and additions to, and furnishings and equipment for, Robinson Auditorium, which consists of a music and performance hall and space for exhibits and meetings (the "Project"). The Project will be undertaken on behalf of the City by the Advertising and Promotion Commission of the City (the "Commission"). See **THE COMMISSION**.

The City is a city of the first class duly organized under the laws of the State of Arkansas (the "State") and is located in central Arkansas. The City is authorized under Amendment No. 62 to the Constitution of the State ("Amendment 62"), Title 14, Chapter 164, Subchapter 3 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation") and Title 26, Chapter 75, Subchapter 6 of the Arkansas Code of 1987 Annotated (the "Tax Legislation") to issue capital improvement bonds and to expend the proceeds thereof for the intended purposes. See **DESCRIPTION OF THE CITY OF LITTLE ROCK**.

The Bonds are not general obligations of the City, but are special obligations payable solely from collections of an existing 2% tax levied by the City on the gross receipts or gross proceeds from motels, hotels, restaurants, cafes, cafeterias and other establishments engaged in the business of selling prepared food for consumption on the premises of such establishment (the "Tax"). See **THE TAX** and **THE BONDS, Security**. The Tax is levied under Ordinance No. 12,353, adopted May 4, 1970 and Ordinance No. 13,527, adopted November 7, 1978, each as amended by Ordinance No. 17,100, adopted January 16, 1996 (collectively, the "Tax Ordinance"). The issuance of the Bonds and the pledging of collections of the Tax (the "Pledged Revenues") to the payment of the principal of and interest on the Bonds was approved at a special election held December 10, 2013. The Bonds are being issued pursuant to and in full compliance with Amendment 62 and the Authorizing Legislation and Ordinance No. 20,895 of the City, adopted on June 17, 2014 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

The Bonds will be initially issued in book-entry form and purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased. See **THE BONDS, Book-Entry Only System**. The Bonds will contain such other terms and provisions as described herein. See **THE BONDS, Generally**.

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Interest is payable January 1, 2015, and semiannually thereafter on each January 1 and July 1. Principal is payable at the principal office of Simmons First Trust Company, N.A., Pine Bluff, Arkansas, as trustee and paying agent for the Bonds (the "Trustee"). Interest is payable by check mailed by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon

delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS, Generally**.

The Bonds are subject to optional redemption on and after July 1, 2024. The Bonds are also subject to extraordinary redemption from proceeds of the Bonds not needed for the purposes intended. The Bonds maturing on July 1 in the years 2034, 2041 and 2044 are subject to mandatory sinking fund redemption as described herein. The Trustee shall give at least thirty (30) days notice of redemption. See **THE BONDS, Redemption**.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (iii) with respect to corporations, interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax, and (iv) the Bonds and interest thereon are exempt from all State, county and municipal taxes. See **LEGAL MATTERS, Tax Exemption**.

It is expected that the Bonds will be available for delivery on or about July 24, 2014, through the facilities of the Depository Trust Company in New York, New York.

The Commission and the Trustee have entered into a Continuing Disclosure Agreement in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Continuing Disclosure Agreement”). See **CONTINUING DISCLOSURE AGREEMENT**.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Authorizing Ordinance and the Continuing Disclosure Agreement summarized herein are available upon request from Stephens Inc., 111 Center Street, Suite 2300, Little Rock, Arkansas 72201, Attention: Public Finance; and Crews & Associates, Inc., First Security Center, 521 President Clinton Avenue, Suite 800, Little Rock, Arkansas 72201, Attention: Public Finance.

THE BONDS

Book-Entry Only System. The Depository Trust Company (“DTC”), New York, New York, or its successor, will act as securities depository for the Bonds. The Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate for each maturity will be issued in the principal amount of the maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, 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. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and

Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If fewer than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers

through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriters nor the City make any representation or warranty regarding the accuracy or completeness thereof.

So long as the Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Bonds for all purposes under the Authorizing Ordinance, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Authorizing Ordinance. The City and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Authorizing Ordinance to be given to owners of Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Bonds.

Generally. The Bonds are dated, mature and bear interest as set forth on the cover page hereof. The principal of the Bonds is payable upon presentation and surrender at the principal office of the Trustee. Payment of interest on the Bonds will be made to each registered owner thereof by check or draft mailed by the Trustee to such owner at his address as such name and address appear on the registration book of the City kept by the Trustee 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.

The Bonds are issuable in the form of registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Authorizing Ordinance. In the event any Bond is mutilated, lost or destroyed, the City shall, if not then prohibited by law, execute and the Trustee may authenticate a new Bond in accordance with the provisions therefor in the Authorizing Ordinance.

Each Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Bond or Bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to any owner of any Bond for the privilege of registration, but any owner of any Bond requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. Neither the City nor the Trustee shall be required to transfer or exchange any Bonds selected for redemption in whole or in part.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or interest of any Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal 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. The Bonds are subject to extraordinary, optional and mandatory sinking fund redemption as follows:

(1) Extraordinary Redemption. The Bonds shall be redeemed from proceeds of the Bonds not needed for the purposes intended, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee shall determine), in whole or in part, on any interest payment date, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

(2) Optional Redemption. The Bonds may be redeemed at the option of the City, from funds from any source, on and after July 1, 2024, in whole at any time, or in part on any interest payment date, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on July 1 in the years 2034, 2041 and 2044 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on July 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Bonds Maturing July 1, 2034

<u>Year (July 1)</u>	<u>Amount</u>
2031	\$2,215,000
2032	2,325,000
2033	2,440,000
2034 (maturity)	2,565,000

Bonds Maturing July 1, 2041

<u>Year (July 1)</u>	<u>Amount</u>
2035	\$2,690,000
2036	2,800,000
2037	2,910,000
2038	3,025,000
2039	3,150,000
2040	3,275,000
2041 (maturity)	3,405,000

Bonds Maturing July 1, 2044

<u>Year (July 1)</u>	<u>Amount</u>
2042	\$3,540,000
2043	3,685,000
2044 (maturity)	3,840,000

In the case of any redemption of Bonds prior to maturity, the Trustee shall mail or send via other standard means, including electronic or facsimile communication, a copy of the redemption notice to the registered owners of the Bonds to be redeemed, in each case not less than 30 nor more than 60 days prior to the date of redemption. 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.

Notwithstanding the above, so long as the Bonds are issued in book-entry only form, if fewer than all the Bonds of an 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.**

Purpose for Bonds. The Bonds are being issued to finance a portion of the costs of the Project. The City will also pay a premium for a debt service reserve policy and pay costs of issuing the Bonds from Bond proceeds.

Construction of the Joseph T. Robinson Memorial Auditorium (“Robinson Auditorium”) began in 1937 and officially opened December 1939. The structure was a WPA (Works Progress Administration) project, and is an example of the Art Deco style architecture of the time. The building was added to the National Register of Historic Places in 2007. The facility is owned by the City and managed by the Commission.

The Project includes the renovation of and additions to Robinson Auditorium. Plans depict major interior upgrades within the performance hall including additional volume to create a two-balcony setup, increased lobby space, acoustical improvements, theatrical upgrades, loading dock expansion, a larger stage area, and new dressing room facilities. Additionally, an enhanced modern ballroom and small conference center are planned. New technology, mechanical systems, and outdoor plaza spaces are also expected as part of the renovation.

The Project will be undertaken on behalf of the City by the Commission. Construction is expected to begin in July 2014 and Project completion is expected in September 2016.

The sources and uses of funds to accomplish the Project (exclusive of accrued interest) are estimated by the City as follows:

SOURCES:

Principal Amount of Bonds	\$66,180,000
Net Original Issue Premium	<u>3,419,144</u>
Total Sources	\$69,599,144

USES:

Project Costs	\$68,940,799
Underwriters' Discount	489,732
Costs of Issuance and Debt Service	168,612
Reserve Policy Premium	
Total Uses	<u>\$69,599,144</u>

The payment of Underwriters' discount and the fee of Bond Counsel will be contingent on the Bonds being issued. See **MISCELLANEOUS, Underwriting** for a description of the Underwriters' discount. The City will deposit the net proceeds of the Bonds (principal amount plus net original issue premium and less Underwriters' discount, debt service reserve policy premium and certain issuance costs) into a special fund designated "2014 Robinson Auditorium Construction Fund" (the "Construction Fund") established with the Trustee. Moneys contained in the Construction Fund will be disbursed by the Commission solely in payment of Project costs, paying necessary expenses incidental thereto and paying expenses of issuing the Bonds. Disbursements shall be on the basis of requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. For a description of how the Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE AUTHORIZING ORDINANCE, Investments**.

Security. The Bonds are not general obligations of the City but are special obligations, secured by a first and prior pledge of the Pledged Revenues, which consist of collections of an existing 2% tax on the gross receipts from motels, hotels, restaurants, cafes, cafeterias and other establishments engaged in the business of selling prepared food for consumption on the premises of such establishment. The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE**.

The City has outstanding its Hotel and Restaurant Gross Receipts Tax Refunding Bonds, Series 1993 (the "1993 Bonds") in the principal amount of \$4,305,000. The 1993 Bonds are secured by the Tax receipts and have a final maturity of August 1, 2015. The 1993 Bonds will be defeased on the date the Bonds are issued with moneys in the bond and debt service reserve accounts established for the 1993 Bonds.

A debt service reserve will be funded with a municipal bond debt service reserve insurance policy (the "Reserve Policy") issued by Build America Mutual Assurance Company, a mutual insurance corporation organized under the laws of, and domiciled in, the State of New York (the "Reserve Insurer"). The face amount of the Reserve Policy will be an amount equal to one-half of the maximum annual principal and interest requirements for the Bonds. See **THE AUTHORIZING ORDINANCE, The Debt Service Reserve Fund**.

The City may issue bonds secured by a pledge of the Pledged Revenues on a parity with the pledge in favor of the Bonds. See **THE AUTHORIZING ORDINANCE, Additional Parity Bonds**.

DESCRIPTION OF THE CITY OF LITTLE ROCK

General. The City is organized under the laws of the State of Arkansas as a city of the first class. It is the State Capitol, the largest city in Arkansas and was chartered in 1835. The City is located in the central part of the State.

The City is the geographic, governmental, economic, cultural and financial center of the State of Arkansas. It is nearly equidistant from the four corners of the State and is the county seat of Pulaski County, Arkansas. Within a radius of 500 miles from the center of the City are located 24 metropolitan areas and substantial portions of 17 states containing over a third of the nation's population. Major cities within this radius include: St. Louis, 360 miles northeast; Kansas City, 400 miles northwest; Atlanta, 520 miles east; New Orleans, 440 miles south; Oklahoma City, 350 miles northwest; Dallas, 310 miles southwest; and Memphis, 135 miles northeast.

The City is served by U.S. Interstates 30 and 40, U.S. Highways 65, 67, 70 and 167, and State Highways 10, 338, 365 and 367. Union Pacific Railroad Company and Amtrak provide railroad service to the City. The Bill and Hillary Clinton National Airport is owned by the City of Little Rock and operated by the Little Rock Municipal Airport Commission, and is served by American Airlines/ U.S. Airways Express, Delta Airlines, Southwest Airlines Company, United Airlines and Frontier Airlines.

Governmental Organization. The City operates under the City Manager/City Board form of municipal government. It has a ten member Board of Directors, with seven Directors elected by wards and three Directors elected citywide. The Mayor's position is a citywide elected position and must be elected by at least 40% of the votes cast. If no candidate receives 40% or more of the votes cast, the two mayoral candidates receiving the most votes will face each other in a runoff election. All Directors and the Mayor serve four-year terms.

At a special election held August 14, 2007, the voters of the City approved two measures which granted to the Mayor greater powers including granting the Mayor veto power over measures adopted by the Board of Directors, subject to override by the Board, the authority to hire and fire the City Manager and City Attorney, subject to Board approval, to fill vacancies on municipal boards and commissions, subject to Board approval, and to prepare the annual budget with the City Manager, subject to Board approval.

The current members of the City of Little Rock Board of Directors are as follows:

<u>Name</u>	<u>Term Expires</u>	<u>Principal Occupation</u>
Mark Stodola, Mayor	December 31, 2014	Mayor, City of Little Rock
Doris Wright, Vice Mayor	December 31, 2014	Program Manager, Arkansas Department of Human Services
Dean Kumpuris	December 31, 2016	Physician
Gene Fortson ⁽¹⁾	December 31, 2016	Businessman
Ken Richardson	December 31, 2014	Director of Program Services, New Futures for Youth
Brad A. Cazort	December 31, 2016	Attorney at Law
B.J. (Brenda) Wyrick	December 31, 2014	State of Arkansas; Enterprise Services Network Division of the Arkansas Department of Information Services
Joan Adcock	December 31, 2016	Community Activist
Stacy Hurst	December 31, 2014	Tipton & Hurst
Erma Hendrix	December 31, 2014	Retired Psychiatric Nurse
Lance Hines	December 31, 2014	Transportation Consultant/Outside Sales with Priority 1, Inc.

⁽¹⁾ Mr. Fortson is also a member of the board of directors for First Security Bancorp, the holding company for one of the Underwriters, Crews & Associates, Inc.

The principal executive officers of the City include:

City Manager	Bruce T. Moore
Assistant City Manager	Bryan Day
Director of Finance	Sara Lenehan
City Attorney	Thomas M. Carpenter

The City Manager and the City Attorney are appointed by the Board of Directors. The Director of Finance and Assistant City Manager are employed by the City Manager. Bryan Day, the Assistant City Manager, will be leaving his position to become the Executive Director of the Little Rock Port Authority. His successor has not been appointed.

The City provides a broad range of municipal services under the auspices of the City Manager, including: Police, Fire, Parks and Recreation, Finance, Personnel, City Clerk, Housing and Neighborhoods, Planning, Public Works, Community Services, and Information Technology. Boards and commissions have primary responsibility for the operation of the Wastewater Utility, Airport, and Emergency Medical Service.

Following are selected indices and financial information for the City of Little Rock:

Land Use/Population. Population of the City has grown as indicated below:

1900	38,307
1910	45,941
1920	65,142
1930	81,679
1940	88,039
1950	102,213
1960	107,813
1970	144,483
1980	159,024
1990	175,795
2000	183,133
2010	193,524
2011	193,130
2012	194,000
2013	195,275

Sources: Little Rock Planning Department.

In the late 1970s, Little Rock adopted land use policies designed to encourage the orderly growth and development of the City. The City required that developing areas annex to the City or agree to annex whenever the City desires such annexation in consideration of receiving water and sewer service. These policies contributed to the growth of the City as estimated below:

<u>Year</u>	<u>Land Area (square miles)</u>	<u>Population</u>
1980	82.63	159,024
1983 (Special Census)	89.62	167,331
1985 (Special Census)	102.84	178,134
1990	106.87	175,795
1992 (US Census Bureau Estimate)	110.59	176,870
1996 (Area Planning Commission Estimate)	---	181,280
1998 (Area Planning Commission Estimate)	119.90	183,951
2000	117.99	183,133
2001	118.88	183,923
2002	118.88	184,354
2003	118.89	185,835
2004	119.48	185,021
2005	119.55	185,868
2006	119.57	187,052
2007	119.78	188,156
2008	122.20	189,971
2009	122.23	191,933
2010	122.35	193,524
2011	122.36	193,130
2012	122.69	194,000
2013	122.69	195,275

Sources: U.S. Bureau of the Census and the Little Rock Department of Planning.

Income. Per capita income and total personal income for the Little Rock Metropolitan Statistical Area (MSA) and Pulaski County are as follows:

<u>Year</u>	<u>Personal Per Capita Income⁽¹⁾</u>		<u>Total Personal Income⁽¹⁾ (in thousands)</u>	
	<u>Pulaski County</u>	<u>Little Rock/MSA</u>	<u>Pulaski County</u>	<u>Little Rock/MSA</u>
2002	\$33,409	\$29,747	\$ 12,171,830	\$18,567,295
2003	34,515	30,677	12,606,790	19,358,259
2004	36,481	32,224	13,374,249	20,608,959
2005	38,515	33,844	14,183,969	21,957,293
2006	41,006	35,840	15,239,922	23,716,164
2007	44,292	38,614	16,538,757	25,926,762
2008	45,019	39,543	16,952,779	26,963,711
2009	42,209	37,970	16,041,795	26,271,658
2010	42,438	38,325	16,278,265	26,913,960
2011	43,938	39,899	16,973,344	28,324,303
2012	45,875	41,662	17,843,080	29,899,304

Source: ⁽¹⁾ Bureau of Economic Analysis.

Employment. The civilian labor force in the Little Rock MSA, the State, the United States and the numbers employed respectively have been as follows:

<u>Year</u>	<u>Civilian Labor Force</u> <u>(in thousands)</u>			<u>Number Employed</u> <u>(in thousands)</u>		
	<u>Little Rock MSA</u>	<u>Arkansas</u>	<u>US</u>	<u>Little Rock MSA</u>	<u>Arkansas</u>	<u>US</u>
2000	312	1,260	142,583	301	1,207	139,891
2001	310	1,253	143,734	298	1,194	136,933
2002	312	1,272	144,863	297	1,205	136,485
2003	312	1,270	146,510	296	1,196	137,736
2004	322	1,294	147,401	306	1,222	139,252
2005	333	1,340	149,320	318	1,271	141,730
2006	336	1,359	151,428	320	1,287	144,427
2007	340	1,366	153,124	324	1,294	146,047
2008	350	1,367	154,286	326	1,294	145,362
2009	343	1,352	154,142	318	1,251	139,877
2010	343	1,348	153,889	318	1,242	139,064
2011	344	1,360	153,616	320	1,252	139,869
2012	348	1,356	154,975	323	1,257	142,469
2013	338	1,327	155,389	317	1,226	143,929

Source: State of Arkansas Department of Workforce Services.

The annual average unemployment rates for the City, the State and the United States since 2001 are as follows:

<u>Year</u>	<u>Unemployment Rate %</u>		
	<u>Little Rock</u>	<u>AR</u>	<u>US</u>
2001	4.3	4.7	4.7
2002	5.0	5.3	5.8
2003	5.4	5.8	6.0
2004	5.3	5.6	5.5
2005	4.9	5.1	5.1
2006	5.1	5.3	4.6
2007	5.0	5.2	4.6
2008	4.6	5.4	5.8
2009	6.3	7.5	9.3
2010	7.0	7.9	9.6
2011	7.0	7.9	8.9
2012	6.8	7.3	8.1
2013	6.2 ⁽¹⁾	7.5	7.4

Source: State of Arkansas Department of Workforce Services.

⁽¹⁾Preliminary as of December 2013.

Commercial and Residential Construction. The following table shows new construction in the City, as reflected by building permits issued, at year end:

<u>Year</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>	
	<u>Number of Permits</u>	<u>Value</u>	<u>Number of Permits</u>	<u>Value</u>
2001	49	\$ 41,090,065	519	\$ 118,260,749
2002	40	33,564,896	607	148,390,190
2003	54	81,916,553	754	193,350,509
2004	69	82,242,700	874	257,611,835
2005	73	244,779,082	997	304,387,781
2006	51	63,955,148	817	200,779,817
2007	56	110,661,534	728	248,217,946
2008	36	104,489,690	392	107,677,319
2009	25	39,847,798	352	85,059,883
2010	22	52,107,152	364	84,054,198
2011	40	40,699,815	439	134,474,090
2012	39	81,210,983	407	109,091,472
2013	40	66,466,839	366	133,022,786

Sources: City of Little Rock Planning Department.

Financial Institution Deposits. The total deposits of banks with principal offices within the City as of the end of each year have been as follows:

<u>Year</u>	<u>Total Bank Deposits</u>
2003	\$ 2,350,136,000
2004	2,914,420,000
2005	3,291,582,000
2006	4,174,239,000
2007	5,024,691,000
2008	5,521,315,000
2009	7,276,565,000
2010	7,789,154,000
2011	7,907,181,000
2012	8,052,429,000
2013	8,279,292,000

Source: For years 2003-2008, Little Rock Chamber of Commerce (FDIC.gov, Institution Directory, Assets and Liabilities, September 30, 2008); For years 2009-2011, FDIC.gov, Deposit Market Share Report for years 2009-2013.

Major Employers. The City’s economy is comprised of a diverse mix of financial, commercial, industrial, government, health and educational sectors. This diversity helps maintain a relatively stable employment environment in the City. The top 15 employers within the boundaries of the City and Pulaski County (except as noted for the MSA) for 2013 were as follows:

<u>Rank</u>	<u>Employer</u>	<u>Product/Service</u>	<u>Employees</u>
1	State Government (MSA)	Government	32,200
2	Local Government (MSA)	Government	28,800
3	Federal Government (MSA)	Government	9,200
4	University of Arkansas for Medical Sciences	Education/Medical Services	8,500
5	Baptist Health	Medical Services	7,000
6	Little Rock Air Force Base	Government	4,500
7	Acxiom	Data Processing	4,388
8	Little Rock School District	Schools/Colleges/Education	3,511
9	Central Arkansas Veterans HealthCare System	Medical Services	3,500
10	Entergy Arkansas	Utility (Electric)	2,738
11	Pulaski County Special School District	Schools/Colleges/Education	2,700
12	AT&T	Utility (Telephone)	2,613
13	St. Vincent Health System	Medical Services	2,600
14	Arkansas Children's Hospital	Medical Services	2,470
15	Dillard's	Department Store	2,400

Sources: Greater Little Rock Chamber of Commerce.

School Enrollment. Public school enrollment in the Little Rock School District, whose boundaries are generally co-extensive with the City limits, has been as follows:

<u>School Year</u>	<u>Enrollment⁽¹⁾</u>
2007	23,570
2008	23,699
2009	22,751
2010	22,775
2011	22,763
2012	22,675
2013	23,458

Source: Little Rock School District.

⁽¹⁾Average daily membership

Higher Education. Little Rock offers educational institutions with instruction in undergraduate, graduate and professional fields. The following is a list of colleges and universities located within the Little Rock MSA (or with relatively short commutes) with approximate on-campus enrollments for the latest academic semester for which such figures are available:

University of Arkansas at Little Rock ⁽¹⁾	11,026
University of Central Arkansas (Conway) ⁽¹⁾	10,392
Pulaski Tech ⁽¹⁾	9,978
University of Arkansas Medical Sciences Campus ⁽²⁾	2,887
Hendrix College (Conway) ⁽¹⁾	1,373
Arkansas Baptist College ⁽²⁾	1,003
Central Baptist College (Conway) ⁽¹⁾	759
Philander Smith College ⁽¹⁾	538
University of Arkansas Bowen School of Law ⁽¹⁾	413

Sources: Arkansas Baptist College Admissions Office; Philander Smith College Director of Research; UALR Registrar’s Department; UAMS Communications Department; UALR School of Law Admissions Office; University of Central Arkansas Registrar’s Office; Central Baptist College Registrar’s Office; Hendrix College Registrar’s Office; and Pulaski Tech Registrar’s Department.

- ⁽¹⁾ Spring 2014
- ⁽²⁾ Fall 2013

Medical Facilities. Little Rock hospitals serve patients throughout Arkansas. Baptist Medical Center, the area’s largest hospital, has an 827-bed capacity. Baptist Medical Center, North campus, has a 225-bed capacity. St. Vincent Infirmary Medical Center is a 615-bed general hospital. St. Vincent Medical Center, Sherwood, is a 69-bed general care hospital. The Arkansas Children’s Hospital is a 280-bed facility that administers acute pediatric care to children up to age 21. The Central Arkansas Veterans Healthcare System includes two hospitals: Eugene J. Towbin Healthcare Center in North Little Rock, which has a 356-bed capacity; and John L. McClellan Memorial Veterans Hospital, located on the campus of the University of Arkansas for Medical Sciences Medical Center, which has a 195-bed capacity. The Arkansas Heart Hospital is a 110-bed facility specializing in cardiac care. UAMS Medical Center has a 430-bed capacity, and the Arkansas State Hospital is a 321-bed psychiatric facility.

Sources: Arkansas Hospital Association and Arkansas Department of Health.

City Employees. The City bargains with three organized units: the American Federal, State, County and Municipal Employees (AFSCME); the International Association of Firefighters (IAFF); and the Fraternal Order of Police (FOP). These organizations represent 66% of the full-time City governmental employees. None of the employees of the City’s boards and commissions are organized.

As of December 31, 2013, the City employment was as follows:

<u>City Government</u>	<u>Total</u>	<u>Full-Time</u>	<u>Part-Time</u>
AFSCME	392	392	
IAFF	415	415	
FOP	577	577	
Non-union	1,186	726	460
Commissions			
Wastewater Utility	206	205	1
Bill & Hillary Clinton National Airport	160	154	6
LR Convention & Visitors Bureau	205	121	84
Port Authority	8	8	
Metropolitan Emergency Medical Services	348	285	63
Central Arkansas Transit Authority	201	200	1
Arkansas Museum of Discovery	36	24	12
Arkansas Arts Center	86	43	43
Central Arkansas Library	254	203	51
Total Employment	4,074	3,353	721

Port of Little Rock. The development of the Arkansas River through the McClellan-Kerr Arkansas River Navigation System has resulted in a 448-mile navigation channel with 17 locks and dams from the Mississippi River northwest to a point 15 miles east of Tulsa, Oklahoma. The ability to provide low-cost, bulk transportation has created opportunities for industrial development in the area.

Little Rock is also the location of Foreign Trade Zone #14. The Zone is located in the Little Rock Port Industrial Park and allows imported goods to be stored or processed without payment of customs duty or posting of bond until the goods are moved out of the Zone and into normal domestic commerce.

The facility includes an Industrial Harbor which is 4,500 feet long, 320 feet wide and 15 feet deep. The Harbor is surrounded by 312 acres of new industrial sites and provides an additional two miles of water frontage.

Source: City of Little Rock, Arkansas Port Authority.

Bill and Hillary Clinton National Airport. Bill and Hillary Clinton National Airport is located within the city limits of Little Rock and is three miles from downtown. It is served by five major airlines. It has three runways and twelve gates (eleven with jetways). In 2013, 2,161,139 passengers traveled through this facility.

Source: Bill and Hillary Clinton National Airport Website: Fly-LIT.com - Activity Report.

Pension Plans. Substantially all of the City's employees receive retirement benefits. The City sponsors three single employer defined benefit plans and two defined contribution plans. The City also contributes to the Local Police and Fire Retirement System, a statewide agent multiple-employer defined benefit pension plan. The assets of the plans are maintained in legally separate trusts and each plan's assets may be used only for the payment of benefits to the members of that plan or their beneficiaries in accordance with the terms of the plan.

Information regarding the pension plans as of December 31, 2012 is found in Note 6 to the general purpose financial statements of the City for the fiscal year ended December 31, 2012 which are contained in the City's Comprehensive Annual Financial Report ("CAFR"). The CAFR can be viewed in its entirety, including the accountants' report, notes to the financial statements and required supplementary information on the City's website at www.littlerock.org.

THE COMMISSION

General. The Advertising and Promotion Commission of the City of Little Rock, Arkansas (the "Commission"), was created pursuant to the authority of the Tax Legislation. The Commission, as the governing body for the Little Rock Convention and Visitors Bureau, is responsible for the advancement and promotion of the City and its environs; the operation and maintenance of the Statehouse Convention Center, Robinson Auditorium, and parking facilities; and management of the River Market. The Commission is composed of seven members, each of whom shall reside within the City, as follows: four members shall be owners or managers of businesses in the tourism industry; at least three members shall be owners or managers of hotels, motels or restaurants, and shall serve for a term of four years; and two members shall be members of the City's Board of Directors and selected by the Board and shall serve at the will of the Board; and one member shall be from the public at-large and shall serve for a term of four years. At such time that a vacancy exists on the Commission in any of the four tourism positions or the at-large position, it shall be filled by appointment made by the remaining members of the Commission with approval of the City's Board of Directors. The present members of the Commission are as follows:

<u>Name</u>	<u>Term Expires</u>	<u>Representative Position</u>
Mayor Mark Stodola	December 31, 2014	City Board of Directors
Gene Fortson ⁽¹⁾	December 31, 2014	City Board of Directors
Tim Morton	May 1, 2015	At-Large
Capi Peck	May 1, 2018	Restaurant
J. Warren Simpson ⁽²⁾	May 1, 2015	Restaurant
Larry Carpenter	May 1, 2017	Hotel
Philip Tappan	May 1, 2016	Restaurant

⁽¹⁾ Mr. Fortson is also a member of the board of directors for First Security Bancorp, the holding company for one of the Underwriters, Crews & Associates, Inc.

⁽²⁾ Mr. Simpson is the Executive Vice President, Managing Director/ Stephens Capital Management of Stephens Inc., one of the Underwriters.

Facilities. The Commission, as agent of and for the City, manages and operates Robinson Auditorium and the Statehouse Convention Center, which includes 82,796 square feet of free standing exhibit hall space, an 18,480 square foot ballroom, 6,000 square feet of meeting room space, a 1,028 square foot registration area, a five-bay truck dock, convention center offices, and 19,128 square feet of meeting and public area. The Commission also, as agent for the City, operates a 565-car parking garage adjacent to the Robinson Center and two 650-car parking decks. A 58-car parking lot is also owned and operated by the Commission. The Commission manages the River Market, which includes Ottenheimer Market Hall, two 6,000 square foot outdoor pavilions, the 7,500-seat First Security Amphitheater and all surface parking within Riverfront Park.

Commission Operations and Finances. The Commission's operational mission includes soliciting, and then providing support to, state, regional, national, and international conferences to be held in the facilities operated and managed by the Commission as well as all other convention and hotel facilities in the City. The Commission has an annual budget of approximately \$15,700,000.

Financial Statements. Set forth in Exhibit A to this Official Statement are the audited financial statements for the Commission for the fiscal year ended December 31, 2013. These financial statements should be read in their entirety, together with any notes and supplemental information affixed thereto.

THE TAX

Generally. Pursuant to Title 26, Chapter 75, Subchapter 6 of the Arkansas Code of 1987 Annotated (the "Tax Legislation") and the Tax Ordinance, the City has levied the Tax which is a 2% tax upon the gross receipts from hotels, motels, restaurants, cafes, cafeterias and similar other establishments engaged in the business of selling prepared food for consumption on the premises at such establishment. The City began collecting the Tax in the 1970s. In 2003, the City levied a 2% tax upon the gross receipts from establishments engaged in the business of selling prepared food for consumption off-premises.

Pursuant to the Authorizing Legislation, the City has pledged the amounts received from the Tax to the payment of the Bonds. The Commission has approved such pledge, as required by statute. The Tax is collected by the Commission, or a designated agent, in the same manner and at the same time as the Arkansas gross receipts tax.

The City has covenanted in the Authorizing Ordinance that the Tax will not be repealed, and the rate of 2% will not be reduced, for so long as there are Bonds outstanding. In addition, the City has further covenanted that all necessary action will be taken, from time to time, to collect the Tax in the full amount due and to apply the Pledged Revenues in the manner provided in the Authorizing Ordinance.

As of December 31, 2013, the City estimates that there are at least 680 businesses from which the Pledged Revenues are currently being collected as follows:

<u>Type</u>	<u>Number</u>
Hotels	72
Full Service Restaurants	449
Fast Food Restaurants	140
Private Clubs	<u>19</u>
 Total	 680

Historical collections of the Pledged Revenues have been at least the following for the years indicated:

<u>Year</u>	<u>Total Amount</u>
2009	\$9,642,447
2010	9,965,648
2011	10,243,249
2012	10,700,062
2013	11,095,606

No taxpayer accounted for more than 5% of the Pledged Revenues in 2013. Delinquent Pledged Revenues for 2013 were less than 1% of the total Pledged Revenues for 2013. For 2013, food establishments are estimated to have accounted for approximately 77% of total Pledged Revenues and hotels and motels are estimated to have accounted for approximately 23% of total Pledged Revenues.

Application of Tax Receipts. Once collected by the Commission, or its designated agent, Tax receipts will be deposited into the Revenue Fund (hereinafter identified). Provision will first be made for the payment of debt service on the Bonds by making the necessary deposits into the Bond Fund and the Debt Service Reserve Fund (hereinafter identified). The balance of the funds shall be transferred to the City's Advertising and Promotion Fund (the "Advertising and Promotion Fund"). Moneys in the Advertising and Promotion Fund will be used for such lawful purposes as are approved by the Commission.

Future Tax Receipts. Tax receipts will be contingent upon the amount of business handled by local hotels, motels and restaurants. Such business activity will generally be dependent upon economic conditions within the City and the surrounding trade area. Accordingly, the City cannot predict with certainty the expected amount of Tax receipts to be received and, therefore, there can be no assurance that Tax receipts will be sufficient to pay the principal of and interest on the Bonds.

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. The City will covenant as set forth below in the Authorizing Ordinance.

The Revenue Fund. (a) All collections of the Tax as and when received shall be deposited into a special fund of the City in a depository selected by the City which is created by the Authorizing Ordinance and designated the "Hotel and Restaurant Gross Receipts Tax Revenue Fund" (the "Revenue Fund"). Except as provided in (c) below, moneys in the Revenue Fund shall be used to make the following deposits not later than by the 25th day of each month, commencing in July 2014, to the following funds and accounts in the following order of priority:

- (1) 1/6 of the interest on the Bonds next due - Debt Service Account in the Bond Fund; and
- (2) 1/12 of the principal of the Bonds next due - Debt Service Account in the Bond Fund; and
- (3) the amount, if any, which may be necessary to reimburse the Reserve Insurer with respect to the Reserve Policy and to fund and maintain the Debt Service Reserve Fund at any required level - Debt Service Reserve Fund; and
- (4) the Trustee's fees and expenses and other administrative charges next due, any arbitrage rebate due the United States Treasury under Section 148(f)

of the Internal Revenue Code of 1986, as amended (the “Code”), and the fees for any arbitrage rebate calculation - Expense Account in the Bond Fund; and

- (5) any amount to cover any deficiency in the monthly transfers required by (1) through (4) above for any previous month.

(b) The deposits made into the Debt Service Account in the Bond Fund shall be reduced in order to take into account as a credit (1) interest earnings, (2) accrued interest deposited therein from Bond proceeds and (3) transfers from the Debt Service Reserve Fund.

(c) Anything herein to the contrary notwithstanding, there shall be transferred from the Revenue Fund into the Bond Fund not less than five (5) business days before each January 1 and July 1, an amount, in addition to other moneys in the Bond Fund, that will be sufficient to cause the Bond Fund to have moneys to pay the principal of and interest on the Bonds on the next due date thereof.

(d) After making the monthly deposits as set forth above, all amounts in the Revenue Fund shall be transferred to the Advertising and Promotion Fund and be used for any lawful purpose.

The Bond Fund. There is created by the Authorizing Ordinance a special fund of the City in the Trustee which is designated “Hotel and Restaurant Gross Receipts 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, any arbitrage rebate, the fees for any arbitrage rebate calculation and the Trustee’s fees and expenses. There shall be established in the Bond Fund the following accounts into which moneys from the Revenue Fund shall be deposited monthly: (i) Debt Service Account; (ii) Redemption Account; and (iii) Expense Account. Moneys in the following Bond Fund accounts shall be used on each interest payment date in the following order of priority as and when necessary:

- (1) to pay the Trustee’s fees and expenses and other administrative charges then due - Expense Account;
- (2) to pay the interest on the Bonds then due - Debt Service Account;
- (3) to pay the principal of the Bonds then due - Debt Service Account; and
- (4) to redeem Bonds prior to maturity - Redemption Account.

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

When the moneys in the Bond Fund shall be and remain sufficient to pay (1) the principal of the Bonds then outstanding, (2) interest on the Bonds until the next interest payment date, (3) the Trustee’s fees and expenses, (4) any arbitrage rebate due under Section 148(f) of the Code and (5) the fees for any arbitrage rebate calculation, there shall be no obligation to make any further payments into the Bond Fund and any Pledged Revenues remaining in the Bond Fund after the principal of, premium, if any and interest on the Bonds have been paid shall first be used to reimburse the Reserve Insurer for any amounts owing with respect to the Reserve Policy and the balance shall be transferred to the Advertising and Promotion Fund and be used for any lawful purpose.

The Debt Service Reserve Fund. (a) There is created by the Authorizing Ordinance a special fund of the City in the Trustee designated “Hotel and Restaurant Gross Receipts Tax Debt Service Reserve Fund (the “Debt Service Reserve Fund”). There shall be established in the Debt Service Reserve Fund a Series 2014 Reserve Account into which shall be deposited the Reserve Policy which shall be in an amount equal to one-half of the maximum annual principal and interest requirements on the Bonds. The Series 2014 Reserve Account in the Debt Service

Reserve Fund shall only secure the Bonds. Moneys in the Series 2014 Reserve Account in the Debt Service Reserve Fund shall be used to make the payments described in clauses (1) and (2) above with respect to the Bonds if moneys in the Debt Service Account in the Bond Fund are not otherwise sufficient for that purpose. The City may establish an account or accounts in the Debt Service Reserve Fund to separately secure Additional Parity Bonds (and not the Bonds) in an amount not to exceed one-half of the maximum annual principal and interest requirements on such Additional Parity Bonds. Other accounts in the Debt Service Reserve Fund may be established with cash or a surety bond or debt service reserve insurance policy.

(b) From amounts in the Debt Service Reserve Fund, the City shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Reserve Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Reserve Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 5%, and (ii) the then applicable highest rate of interest on the Bonds, and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the Reserve Insurer in its sole and absolute discretion shall specify.

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

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

Investments. (a) Moneys held for the credit of the Construction Fund and the Advertising and Promotion Fund shall be invested and reinvested in Permitted Investments (as hereinafter defined) or other investments permitted by State law, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when such money will be required for the purposes intended.

(b) Moneys held for the credit of the Bond Fund and the Revenue Fund shall be invested and reinvested in Permitted Investments, which will mature, or which will be subject to redemption by the holder thereof at the option of the holder, not later than the date or dates on which the money shall be required for the payment of the principal of and interest on the Bonds when due.

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

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

(e) "Permitted Investments" means any of the securities that are at the time legal for investment of City funds pursuant to Resolution No. 12,520 of the City. At June 10, 2013, "Permitted Investments" include:

1. U.S. Treasury obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value.
2. Certificates of deposit and other evidences of deposit at financial institutions, and commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, D-1, or higher) by a nationally recognized rating agency;
3. Investment-grade obligations of state, provincial, and local governments and public authorities;
4. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
5. Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

The City's investment policy prohibits investments in derivative products, common stocks, and long-term bonds used for speculation.

Certain Covenants. The City covenants that:

- (a) It will not take, suffer or permit any action which may cause the interest payable on the Bonds to be included in gross income for federal income tax purposes, including any use of proceeds of the sale of the Bonds or Pledged Revenues directly or indirectly in such manner as to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code.
- (b) It will not use or permit the use of the Project or the proceeds of the Bonds in such manner as to cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code.
- (c) The City covenants that it will faithfully and punctually perform all duties with reference to the Tax and the Bonds required by the Constitution and laws of the State and by the Authorizing Ordinance, including the collection of the Tax, as therein specified and covenanted, the segregating of the Tax receipts and the applying of the Tax receipts as provided in the Authorizing Ordinance.
- (d) It will make any arbitrage rebate payment due the United States under Section 148(f) of the Code from moneys in the Bond Fund.

Defaults and Remedies. (a) If there be any default in the payment of the principal of and interest on the Bonds, if the City defaults in the performance of any covenant contained in the Authorizing Ordinance, the Trustee may, and upon the written request of the owners of not less than 10% in principal amount of the 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, to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

(b) No owner of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or in law for the protection or enforcement of any right under 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 10% in principal amount of the Bonds then outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted by the Constitution and laws of the State, or to institute such action, suit or proceeding in its name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the cost, expense and liabilities to be incurred therein

or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time, and such notification, request and offer of indemnity are 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 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 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.

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

(d) No remedy conferred upon or reserved to the Trustee or to the owners of the Bonds is intended to be exclusive of any other remedy or remedies, 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.

(e) No delay or omission of the Trustee or of any owners of the Bonds to exercise any right or power accrued upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by the Authorizing Ordinance to the Trustee and to the owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

(f) The Trustee may, and upon the written request of the owners of not less than a majority in principal amount of the Bonds then outstanding shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted under the 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.

(g) Upon a failure to pay amounts when due to the Reserve Insurer or any other breach of the covenants in the Authorizing Ordinance in favor of the Reserve Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Authorizing Ordinance.

Defeasance. The Bonds shall be deemed paid when there has been deposited with the Trustee in the Bond Fund an amount sufficient to pay the principal or redemption price of and interest on the Bonds to the date of maturity or redemption. The Bonds shall also be deemed paid if there shall be irrevocably deposited with the Trustee moneys sufficient to make such payment and/or Government Securities which are direct obligations of the United States of America maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. All moneys must be insured at all times by FDIC or otherwise collateralized with Government Securities that are direct obligations of the United States of America.

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

When all the Bonds shall have been paid within the meaning of the Authorizing Ordinance and if the Trustee has been paid its fees and expenses or provision has been made therefor, if any arbitrage rebate payment has been paid or provision has been made therefor and if there are no

amounts due the Reserve Insurer, the Trustee shall take all appropriate action to cause (i) the pledge and lien of the Authorizing Ordinance to be discharged and cancelled, (ii) all moneys held by it pursuant to the Authorizing Ordinance and which are not required for the payment of such Bonds, to be paid over or delivered to or at the direction of the City.

Additional Parity Bonds. The City covenants that it will not issue any bonds, or incur any obligation, secured by a lien on or pledge of Pledged Revenues, except as hereinafter provided. The City may issue Additional Parity Bonds so long as the City has received collections of Pledged Revenues for a 12 month period that ends not less than 30 and not more than 90 days prior to the date that the Additional Parity Bonds are authorized by the Board of Directors of the City to be issued, in an amount equal to or in excess of 150% of the maximum annual debt service requirement for the Bonds, any outstanding Additional Parity Bonds and the Additional Parity Bonds proposed to be issued.

The City may issue bonds or incur obligations secured by a lien on and pledge of Pledged Revenues subordinate to the lien and pledge in favor of the Bonds.

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 in the Authorizing Ordinance and in the Bonds are the recitals of the City and not of the Trustee. The Trustee shall not be required to take any action unless it shall have been requested to do so in writing by the owners of not less than 10% in principal amount of Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by 60 days' notice in writing to the City and the owners of the Bonds. The majority in principal amount of the owners of the outstanding Bonds or the City, so long as it is not in default under the Authorizing Ordinance, may at any time, with or without cause, remove the Trustee. In the event of a vacancy in the office of Trustee either by resignation or by removal, the City shall forthwith designate a new Trustee. 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 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 Bonds and no variation or change in the undertaking set forth in the Authorizing Ordinance shall be made while any of the Bonds are outstanding, except as hereinafter set forth. The owners of not less than 75% in aggregate principal amount of the 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 75% of the owners of the aggregate principal amount of Bonds outstanding in order to cure any ambiguity or formal defect or omission in the Authorizing Ordinance or any amendment thereto or if the Trustee determines that such change is not to the material prejudice of the owners of the bonds, 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 of interest thereon, or (c) the creation of a pledge of Pledged Revenues 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.

CONTINUING DISCLOSURE AGREEMENT

During the past five (5) years, the City has been obligated to comply with continuing disclosure agreements involving approximately 25 bond issues. Almost all such agreements require the City to file annual reports with the trustees, as the dissemination agents. The dissemination agents are required to file the annual reports with national repositories (for reports due prior to July 1, 2009) or with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system within various time periods set by those agreements.

As part of the annual report, the City was obligated to file annual audited financial statements. For 14 of the bond issues, the City was required to file the audit of the general purpose financial statements of the City as part of the annual report. The City was obligated to file audited financial statements of the City's airport commission for three of the City's airport revenue bond issues. The City was obligated to file audited financial statements of the City's wastewater utility for eight of the City's sewer revenue bond issues.

For the bond issues that required the City to file the audit of the City's general purpose financial statements, in many cases (approximately 32%) the audited financial statements were filed between approximately 20 days and 41 days after the due date. Otherwise, the audits of the City's general purpose financial statements were filed in a timely manner.

For the sewer revenue bond issues that required the City to file the audited financial statements of the City's wastewater utility, the audited financial statements were all filed on time except for the audited financial statements for the year ended December 31, 2010. That filing was late by less than 30 days.

For the airport revenue bond issues that required the City to file audited financial statements of the airport commission, the audited financial statements for the years ending December 31, 2009 and December 31, 2011 through 2013 were filed on time. Audited financial statements for the year ended December 31, 2008 were filed in June of 2014, and audited financial statements for the year ended December 31, 2010 were filed in October of 2013.

For six bond issues, unaudited financial statements were required to be filed as part of the annual report to the extent the audited financial statements had not yet been prepared by the due date. The City never filed unaudited financial statements when the audited financial statements were not ready for filing.

All of the continuing disclosure agreements require that certain supplemental financial and operating data be provided as part of the annual report. The supplemental data to be provided varies by the type of the bond issues and how each is secured. The City provided most, but not all, of the required supplemental data each year. In certain cases, the supplemental data was included in the audited financial statements that were filed as part of the annual report but was not presented in the manner prescribed by the continuing disclosure agreements. The supplemental data that was filed with the audited financial statements were, in many cases, filed late, as set forth above. As of this date, supplemental data for all bond issues that are outstanding have been filed.

The continuing disclosure agreements also obligated the City to file a notice of the occurrence of any significant event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5). Included in the list of significant events are bond calls, rating changes and the appointment of successor trustees. During the past five years, the City has failed to timely file several notices concerning the optional redemption of its bonds, mandatory redemption of its bonds from surplus tax collections, changes in the ratings of its bonds and its bond insurers, and the appointment of successor trustees. The City has filed notices of these significant events under all of the continuing disclosure agreements related to bonds that are currently outstanding, except for the notices concerning the changes in the ratings of its bonds. The City is currently in the process of making all such filings.

The City has taken steps to ensure that all required audited financial statements, supplemental data and significant event notices are filed in a timely manner in the future.

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 the 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 Bonds and in order to assist the Underwriters 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 Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding 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 Commission’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 Commission 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 within thirty (30) days after receipt thereof by the Commission. If the Commission’s fiscal year changes, the City shall give notice of such change in the manner as for a Listed Event.

(b) Not later than five (5) 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 send a notice to the MSRB.

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

1. Pledged Revenues for the latest calendar year and the four (4) previous years, if available.

2. The annual financial statements of the Commission prepared using accounting practices prescribed by Arkansas Code Annotated Section 10-4-412 as it may be amended from time to time, or any successor statute, which shall be audited by the Legislative Joint Auditing Committee, Division of the Legislative Audit of the State of Arkansas or by an independent certified public accountant.

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the City is an "obligated person" (as defined by the Rule), 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. 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 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 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 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 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 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 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 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 Underwriters or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City, the Dissemination Agent 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, the Dissemination Agent 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 Commission, the Trustee, the Dissemination Agent, the Underwriters and the Beneficial Owners and shall create no rights in any other person or entity.

DEBT SERVICE COVERAGE

Set forth below is the debt service coverage information for the Bonds. In arriving at the amount of annual Pledged Revenues for this calculation, the City examined collections of the Tax for 2013. See **SECURITY FOR THE BONDS**, Tax Receipts.

The Pledged Revenues figure set forth below is only an estimate and there can be no assurance that actual Pledged Revenues will equal the amount shown below. See **THE TAX**, Future Tax Receipts.

Estimated debt service coverage is as follows:

Pledged Revenues Available for Debt Service ^{(1)(A)}	\$11,095,606
Maximum Annual Debt Service ^(B)	3,999,931
Debt Service Coverage ^(A/B)	2.77x

⁽¹⁾Based on Pledged Revenues received in 2013.

DEBT SERVICE REQUIREMENTS

The following table shows amounts required to pay scheduled principal and interest on the Bonds during each year ending:

<u>Year</u>	<u>Bond Principal</u>	<u>Bond Interest</u>	<u>Total Debt Service</u>
2015	\$1,115,000	\$2,880,581.26	\$3,995,581.26
2016	1,130,000	2,869,431.26	3,999,431.26
2017	1,160,000	2,835,531.26	3,995,531.26
2018	1,195,000	2,800,731.26	3,995,731.26
2019	1,245,000	2,752,931.26	3,997,931.26
2020	1,305,000	2,690,681.26	3,995,681.26
2021	1,370,000	2,625,431.26	3,995,431.26
2022	1,440,000	2,556,931.26	3,996,931.26
2023	1,510,000	2,484,931.26	3,994,931.26
2024	1,590,000	2,409,431.26	3,999,431.26
2025	1,670,000	2,329,931.26	3,999,931.26
2026	1,735,000	2,263,131.26	3,998,131.26
2027	1,820,000	2,176,381.26	3,996,381.26
2028	1,910,000	2,085,381.26	3,995,381.26
2029	2,010,000	1,989,881.26	3,999,881.26
2030	2,110,000	1,889,381.26	3,999,381.26
2031	2,215,000	1,783,881.26	3,998,881.26
2032	2,325,000	1,673,131.26	3,998,131.26
2033	2,440,000	1,556,881.26	3,996,881.26
2034	2,565,000	1,434,881.26	3,999,881.26
2035	2,690,000	1,306,631.26	3,996,631.26
2036	2,800,000	1,199,031.26	3,999,031.26
2037	2,910,000	1,087,031.26	3,997,031.26
2038	3,025,000	970,631.26	3,995,631.26
2039	3,150,000	849,631.26	3,999,631.26
2040	3,275,000	723,631.26	3,998,631.26
2041	3,405,000	592,631.26	3,997,631.26
2042	3,540,000	456,431.26	3,996,431.26
2043	3,685,000	310,406.26	3,995,406.26
2044	3,840,000	158,400.00	3,998,400.00
Totals	\$66,180,000	\$53,743,931.54	\$119,923,931.54

LEGAL MATTERS

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

Legal Opinions. Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel.

Tax Exemption. In the opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, under existing law the interest on the Bonds is exempt from all Arkansas state, county and municipal taxes.

Also, in the opinion of Bond Counsel, interest on the 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 imposed on such corporations. 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 Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. These requirements generally relate to arbitrage and the use of the proceeds of the Bonds. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

Prospective purchasers of the 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 Bonds, (ii) interest on the 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 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 Bonds.

Prospective purchasers of the Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

Prospective purchasers of the 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 Internal Revenue 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.

As shown on the cover page of this Official Statement, certain of the Bonds are being sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth on the cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption, or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield of maturity for such Discount Bond (determined by compounding at the each of accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of the Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

As shown on the cover page of this Official Statement certain of the Bonds are being sold at an original issue premium (the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of a Premium Bond callable prior to its maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of a Premium Bond should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Current or future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. Recent legislative proposals include provisions that would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

MISCELLANEOUS

Underwriting. Under a Bond Purchase Agreement (the “Agreement”) entered into by and between the City, as issuer, and Stephens Inc. and Crews & Associates, Inc., as underwriters (the “Underwriters”), the Bonds are being purchased at a price of \$69,109,412.05 (principal amount less \$489,732 of Underwriters' discount plus \$3,419,144.05 of net original issue premium) plus accrued interest. The Agreement provides that the Underwriters will purchase all of the Bonds if any are purchased. The obligation of the Underwriters to accept delivery of the Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the 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 Underwriters intend to offer the 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 Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriters may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering price.

Each Underwriter may also serve from time to time as underwriter or financial advisor for other bonds issued by the City, its component units, or related enterprises.

Enforceability of Remedies. Rights of the registered owners of the 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 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.

Rating. Standard & Poor's Credit Market Services ("S&P") will assign its municipal bond rating of “A+” to the Bonds. Any explanation of such rating may only be obtained from S&P. Generally, rating agencies base their ratings upon information and materials supplied to them and on their own investigations, studies and assumptions. There is no assurance that such ratings, once assigned, will remain for any given period of time or that they will not be lowered or withdrawn entirely by the rating agencies if in their judgment circumstances so warrant. Any such downward change or withdrawal of the ratings assigned to the Bonds by S&P may have an adverse effect on the market price of the Bonds. The Underwriters and the City have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

Information in Official Statement. 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 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.

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

CITY OF LITTLE ROCK, ARKANSAS

By /s/ Mark Stodola
Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A

**LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2013**

L. COTTON THOMAS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
LITTLE ROCK, ARKANSAS 72201

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L. COTTON THOMAS & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
620 WEST THIRD, SUITE 400
LITTLE ROCK, AR 72201-2224

MEMBERS AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Commissioners
Little Rock Advertising and Promotion Commission
Little Rock, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements and the related notes to the financial statements of Little Rock Advertising and Promotion Commission, a component unit of City of Little Rock, Arkansas, as of and for the years ended December 31, 2013 and 2012. The financial statements referred to above present only Little Rock Advertising and Promotion Commission, and are not intended to present fairly the financial position of City of Little Rock, Arkansas, as of December 31, 2013 and 2012, and the changes in its financial position, or, where applicable, its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Little Rock Advertising and Promotion Commission, a component unit of City of Little Rock, Arkansas, as of December 31, 2013 and 2012, and the respective revenues, expenses, and changes in net position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement of Financial Statements

We audited the restatement of the financial statements related to adoption of GASB 65 as described in Note 8. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 be presented to supplement the financial statements. Such information, although not a part of financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not, however, express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2014, on our consideration of Little Rock Advertising and Promotion Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

J. Cotton Thomas & Company

April 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of the financial performance of Little Rock Advertising and Promotion Commission (the Commission) provides an overview of the Commission's financial activities for the year ended December 31, 2013. It should be read in conjunction with the accompanying financial statements of the Commission.

Financial Highlights

- Cash and investments (restricted and unrestricted) decreased in 2013 by \$1,115,727.
- The Commission's net position after transfer to the City increased in the past year by \$2,491,811, or 7.0%.
- The Commission reported an operating loss in 2013 of \$10,907,034. The operating loss in 2013 increased by \$457,390, or 4.4%, over the operating loss reported in 2012.
- Nonoperating revenues increased by \$1,290,118, or 9.8%, in 2013 compared to 2012.

Using This Annual Report

The Commission's financial statements consist of three statements: a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These statements provide information about the activities of the Commission, including resources held by the Commission but restricted for specific purposes by creditors, contributors, grantors, or enabling legislation. The Commission is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about any entity's finances is, "Is the entity as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Commission's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's net position and changes in the net position. The Commission's total net position - the difference between assets and liabilities - is one measure of the Commission's financial health or financial position. Over time, increases or decreases in the Commission's net position are indicators of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Commission's tax base, changes in legislation and regulations, measures of the quantity and quality of services provided to its customers, and local economic factors should also be considered to assess the overall financial health of the Commission.

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Commission's Net Position

The Commission's net position is the difference between its assets and liabilities reported in the Statement of Net Position. The Commission's net position increased by \$2,491,811 (7.0%) in 2013 over 2012 as shown in Table 1.

TABLE 1: ASSETS, LIABILITIES, AND NET POSITION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current Assets	\$ 4,967,930	\$ 4,754,586	\$ 5,054,822
Noncurrent Assets			
Cash, investments, and accrued interest	3,713,288	4,713,770	3,209,992
Capital assets, net of accumulated depreciation	35,408,303	34,672,150	35,074,575
Other assets	<u>2,406</u>	<u>5,041</u>	<u>4,589</u>
Total Assets	<u>\$44,091,927</u>	<u>\$44,145,547</u>	<u>\$43,343,978</u>
Current Liabilities	\$ 3,734,963	\$ 4,039,967	\$ 3,832,489
Noncurrent Liabilities	<u>2,496,686</u>	<u>4,737,113</u>	<u>6,828,685</u>
Total Liabilities	<u>6,231,649</u>	<u>8,777,080</u>	<u>10,661,174</u>
Net Position			
Invested in capital assets, net of related debt	30,831,617	27,995,037	26,122,336
Restricted - expendable	3,391,705	3,623,432	3,499,548
Unrestricted	<u>3,636,956</u>	<u>3,749,998</u>	<u>3,060,920</u>
Total Net Position	<u>37,860,278</u>	<u>35,368,467</u>	<u>32,682,804</u>
Total Liabilities and Net Position	<u>\$44,091,927</u>	<u>\$44,145,547</u>	<u>\$43,343,978</u>

Total assets of the Commission decreased by \$53,620 (0.1%) in 2013. Cash and investments (restricted and unrestricted) decreased \$1,115,727 (14.6%), offset by the increase in capital assets, net of accumulated depreciation, of \$736,153 (2.1%) and the increase in current assets, excluding cash and investments, of \$328,590 (17.9%). Total liabilities decreased by \$2,545,431 (29.0%) in 2013, due primarily to the continued repayment of debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Results and Changes in the Commission's Net Position

For the year ended December 31, 2013, the Commission's increase in net position was \$2,491,811, compared with \$2,685,663 for the year ended December 31, 2012. The increase in net position is made up of several different components as shown in Table 2.

TABLE 2: OPERATING RESULTS AND CHANGES IN NET POSITION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues			
Rental income	\$ 1,316,071	\$ 1,407,450	\$ 1,557,274
Parking, concessions, and other income	<u>1,187,465</u>	<u>1,257,566</u>	<u>1,215,248</u>
	<u>2,503,536</u>	<u>2,665,016</u>	<u>2,772,522</u>
Operating Expenses			
Salaries, wages, and employee benefits	6,307,223	6,105,919	5,629,806
Services and related expenses	2,496,867	2,426,165	2,527,732
Other expenses	<u>4,606,480</u>	<u>4,582,576</u>	<u>4,739,192</u>
	<u>13,410,570</u>	<u>13,114,660</u>	<u>12,896,730</u>
Operating Loss	(10,907,034)	(10,449,644)	(10,124,208)
Nonoperating Revenues	14,425,425	13,135,307	12,406,615
Transfer to City	<u>(1,026,580)</u>	_____	_____
Increase in Net Position	2,491,811	2,685,663	2,282,407
Net Position, Beginning of Year	<u>35,368,467</u>	<u>32,682,804</u>	<u>30,400,397</u>
Net Position, End of Year	<u>\$ 37,860,278</u>	<u>\$35,368,467</u>	<u>\$32,682,804</u>

Operating revenue decreased by \$161,480 (6.1%) during 2013, as compared to 2012. The decrease can be primarily attributed to a \$241,667 decline in 2013 in hotel lease revenue, related to the new lease agreement with FWH II Little Rock, LLC as well as a one-time contribution received in 2012 from BG Excelsior Limited Partnership of \$163,896 related to the repair of capital equipment. These were offset by increase in parking and rental revenue.

The Commission's operating expenses increased by \$295,910 (2.3%) during 2013, as compared to 2012. The increase is attributable to increases in salaries, wages, and employee benefits, of \$201,304 (3.3%) and increase in services and related expenses of \$70,702 (2.9%).

Nonoperating revenues increased by \$1,290,118 (9.8%) during 2013, as compared to 2012, due to contribution of funds for the City's expenses related to the new River Market Amphitheater roof. The net increase is also attributed to a \$288,113 increase (2.5%) in the 2% hotel, motel, and restaurant gross receipts tax levy and a decrease in interest expense of \$157,121 (39.5%).

A transfer to the City was made in the amount of \$1,026,580 related to the City's expenses for the new River Market Amphitheater roof.

The overall financial position of the Commission has improved.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Commission's Cash Flows

Changes in the Commission's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses, discussed earlier.

Capital Assets and Debt Administration

As of December 31, 2013, the Commission had invested \$66,030,115 in capital assets and had recognized \$30,621,812 of accumulated depreciation. Significant additions to capital assets during fiscal year 2013, primarily consisted of improvements completed on the Statehouse Convention Center as well as construction-in-progress for the ongoing Robinson Auditorium renovation project, consisting primarily of fees for architects and other related expenses. Capital assets are summarized as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 3,172,328	\$ 3,172,328	\$ 3,172,328
Buildings and improvements	54,266,665	53,366,219	53,267,892
Machinery and equipment	3,919,943	4,290,217	3,938,486
Acquired prior to 1979	2,699,782	2,699,782	2,699,782
Construction-in-progress	<u>1,971,397</u>	<u>794,719</u>	<u>193,217</u>
	66,030,115	64,323,265	63,271,705
Less: accumulated depreciation	<u>30,621,812</u>	<u>29,651,115</u>	<u>28,197,130</u>
Total Capital Assets	<u>\$35,408,303</u>	<u>\$34,672,150</u>	<u>\$35,074,575</u>

Debt

As of December 31, 2013, the Commission had \$4,576,686, net of unamortized premium of \$271,686, in debt outstanding.

The Commission underlying ratings of its outstanding debt is as follows:

Moody's A2

Contacting the Commission's Financial Management

This financial report is designed to provide our suppliers, taxpayers, creditors, and the public with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Sr. Vice President/Finance & Administration of Little Rock Advertising and Promotion Commission by telephoning 501-376-4781.

COMPONENT UNIT FINANCIAL STATEMENTS

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>Restated 2012</u>
Current Assets		
Cash	\$ 593,759	\$ 789,390
Restricted cash and investments - current	2,212,289	2,131,904
Accounts receivable	860,145	388,595
Taxes receivable	948,148	1,003,092
Prepaid expenses	<u>353,589</u>	<u>441,605</u>
Total Current Assets	<u>4,967,930</u>	<u>4,754,586</u>
Noncurrent Assets		
Restricted cash and investments		
Cash - board designated	2,401,583	3,030,337
Investments - board designated	57,803	348,140
Investments - restricted	<u>3,466,169</u>	<u>3,467,174</u>
	5,925,555	6,845,651
Less: amounts to meet current obligation	<u>2,212,289</u>	<u>2,131,904</u>
	3,713,266	4,713,747
Accrued interest	<u>22</u>	<u>23</u>
Total Noncurrent Restricted Cash and Investments	<u>3,713,288</u>	<u>4,713,770</u>
Capital Assets		
Land	3,172,328	3,172,328
Buildings and improvements	54,266,665	53,366,219
Machinery and equipment	3,919,943	4,290,217
Acquired prior to 1979	<u>2,699,782</u>	<u>2,699,782</u>
	64,058,718	63,528,546
Less: accumulated depreciation	<u>30,621,812</u>	<u>29,651,115</u>
	33,436,906	33,877,431
Construction-in-progress	<u>1,971,397</u>	<u>794,719</u>
Total Capital Assets	<u>35,408,303</u>	<u>34,672,150</u>
Other Assets	<u>2,406</u>	<u>5,041</u>
Total Other	<u>2,406</u>	<u>5,041</u>
Total Noncurrent Assets	<u>39,123,997</u>	<u>39,390,961</u>
Total Assets	<u>\$ 44,091,927</u>	<u>\$ 44,145,547</u>

See accompanying notes to the financial statements.

LIABILITIES AND NET POSITION

	<u>2013</u>	Restated <u>2012</u>
Current Liabilities		
Accounts payable	\$ 618,945	\$ 1,039,043
Accrued wages payable and related liabilities	365,635	300,341
Accrued compensated absences	373,870	348,888
Bonds and note payable - current portion	2,080,000	1,940,000
Accrued interest payable	132,289	191,904
Unearned revenue	131,901	180,107
Other	<u>32,323</u>	<u>39,684</u>
Total Current Liabilities	<u>3,734,963</u>	<u>4,039,967</u>
Noncurrent Liabilities		
Bonds payable, net of unamortized premium	4,576,686	6,677,113
Less: current portion	<u>2,080,000</u>	<u>1,940,000</u>
Total Noncurrent Liabilities	<u>2,496,686</u>	<u>4,737,113</u>
Total Liabilities	<u>6,231,649</u>	<u>8,777,080</u>
Net Position		
Invested in capital assets, net of related debt	30,831,617	27,995,037
Restricted - expendable	3,391,705	3,623,432
Unrestricted	<u>3,636,956</u>	<u>3,749,998</u>
Total Net Position	<u>37,860,278</u>	<u>35,368,467</u>
Total Liabilities and Net Position	<u>\$ 44,091,927</u>	<u>\$ 44,145,547</u>

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>Restated 2012</u>
Operating Revenues		
Rental income	\$ 1,316,071	\$ 1,407,450
Parking, concessions, and other income	<u>1,187,465</u>	<u>1,257,566</u>
Total Operating Revenues	<u>2,503,536</u>	<u>2,665,016</u>
Operating Expenses		
Salaries, wages, and employee benefits	6,307,223	6,105,919
Services and related expenses	2,496,867	2,426,165
Repairs and maintenance	984,534	1,144,583
Utilities	1,069,389	1,035,405
Supplies and materials	31,621	44,961
Other administrative	312,763	351,205
Insurance	302,770	244,850
Travel	58,661	68,876
Building services and related expense	227,933	176,752
Miscellaneous operating expense	70,322	61,959
Depreciation and amortization	<u>1,548,487</u>	<u>1,453,985</u>
Total Operating Expenses	<u>13,410,570</u>	<u>13,114,660</u>
Operating Loss	<u>(10,907,034)</u>	<u>(10,449,644)</u>
Nonoperating Revenues (Expenses)		
Intergovernmental revenue	1,919,623	1,924,460
Local tax levy	11,891,091	11,602,978
Contributions	900,000	
Interest income	3,662	5,516
Loss on disposal of fixed assets	(48,425)	
Interest expense	<u>(240,526)</u>	<u>(397,647)</u>
Total Nonoperating Revenues	<u>14,425,425</u>	<u>13,135,307</u>
Income Before Transfer	3,518,391	
Transfer to City	<u>(1,026,580)</u>	
Increase in Net Position	2,491,811	2,685,663
Net Position, Beginning of Year	<u>35,368,467</u>	<u>32,682,804</u>
Net Position, End of Year	<u>\$ 37,860,278</u>	<u>\$ 35,368,467</u>

See accompanying notes to the financial statements.

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>Restated 2012</u>
Operating Activities		
Receipts from rental customers	\$ 796,879	\$ 1,501,977
Receipts from parking and other customers	1,182,174	1,265,314
Payments to employees	(6,216,946)	(6,030,772)
Payments to suppliers	(89,062)	(16,352)
Payments for contractual services	(4,040,104)	(3,601,942)
Payments for utilities	(1,066,663)	(1,042,386)
Other payments	<u>(691,112)</u>	<u>(702,732)</u>
Net Cash Used in Operating Activities	<u>(10,124,834)</u>	<u>(8,626,893)</u>
Noncapital Financing Activities		
Contributions	900,000	
Local tax levy supporting operations	11,465,089	10,727,494
Transfer to City	<u>(1,026,580)</u>	
Net Cash Provided by Noncapital Financing Activities	<u>11,338,509</u>	<u>10,727,494</u>
Capital and Related Financing Activities		
Purchase of property and equipment	(2,333,064)	(1,051,560)
Intergovernmental revenue received for debt service	1,919,623	1,924,460
Local tax levy used for debt service	480,946	812,783
Principal paid on long-term debt	(1,940,000)	(2,123,554)
Interest paid on long-term debt	<u>(460,569)</u>	<u>(613,689)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(2,333,064)</u>	<u>(1,051,560)</u>
Investing Activities		
Proceeds from sale of investments	2,466,262	2,466,005
Purchase of investments	(2,174,920)	(2,525,421)
Interest received	<u>3,662</u>	<u>5,517</u>
Net Cash Provided by (Used in) Investing Activities	<u>295,004</u>	<u>(53,899)</u>
Decrease (Increase) in Cash	(824,385)	995,142
Cash, Beginning of Year	<u>3,819,727</u>	<u>2,824,585</u>
Cash, End of Year	<u>\$ 2,995,342</u>	<u>\$ 3,819,727</u>

See accompanying notes to the financial statements.

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>Restated 2012</u>
Presented on the Balance Sheets as Follows		
Current assets - cash	\$ 593,759	\$ 789,390
Noncurrent assets - cash	<u>2,401,583</u>	<u>3,030,337</u>
	<u>\$ 2,995,342</u>	<u>\$ 3,819,727</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$(10,907,034)	\$(10,449,644)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization expense	1,548,487	1,453,985
Change in assets and liabilities		
Receivable, net	(471,550)	73,634
Prepaid expenses	88,016	(159,917)
Other assets	2,636	(453)
Accounts payable	(420,098)	351,262
Unearned revenue	(48,206)	23,408
Accrued and other expenses	90,276	75,147
Other liabilities	<u>(7,361)</u>	<u>5,685</u>
Net Cash Used in Operating Activities	<u>\$(10,124,834)</u>	<u>\$(8,626,893)</u>
Schedule of Noncash Investing and Capital and Related Financing Activities		
Amortization of premium	<u>\$ 160,428</u>	<u>\$ 151,572</u>
Disposal of assets	<u>\$ 48,425</u>	<u>\$</u>

See accompanying notes to the financial statements.

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

Pursuant to Act 185 of 1965, as amended by Act 123 of 1969, of the General Assembly of the State of Arkansas, City of Little Rock, Arkansas, through City Ordinance No. 12,353, established the Little Rock Advertising and Promotion Commission. The Commission is charged with promoting and advertising the City of Little Rock as a convention and tourist destination. The Commission, through the Little Rock Convention and Visitors Bureau, is also responsible for the operation and management of the City's convention facilities. The Commission's primary sources of revenue are from charges for the use of its facilities; state turnback; and a 2% hotel, motel, and restaurant gross receipts tax levy. Under accounting principles generally accepted in the United States of America, the Commission is a discretely presented component unit of the City of Little Rock, Arkansas, for financial reporting purposes.

The Commission shall be composed of seven members:

- Four members shall be owners or managers of businesses in the tourism industry, at least three shall be owners or managers of hotels, motels, or restaurants, and shall serve for staggered terms of four years;
- Two members shall be members of the Board of Directors of the City and are appointed by the Mayor of Little Rock, Arkansas, and shall serve at the will of the Board; and
- One member shall be from the public at-large, and shall serve for a term of four years.

Vacancies on the Commission, whether resulting from expiration of a regular term or otherwise, in any of the four tourism positions or in the at-large position, shall be filled by appointment made by the remaining members of the Commission with the approval of the City Board.

Basis of Accounting and Presentation

The financial statements of the Commission have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, local tax levies, investment income, and interest on capital assets-related debt, are included in nonoperating revenues and expenses. The Commission first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Presentation (Continued)

The Commission prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Prior to adoption of GASB 62 which became effective for periods beginning after December 15, 2011, the Commission elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued after November 30, 1989, unless the GASB specifically adopted such FASB statements. Under the provisions of GASB 62 pre-November 30, 1989, FASB pronouncements are no longer considered nor will proprietary funds be permitted to apply new FASB pronouncements issued after November 30, 1989. Since the Commission had not applied the pre-November 30, 1989, pronouncements, there was no effect to the financial statements.

GASB 63, effective for periods beginning after December 15, 2011, requires the Commission present a Statement of Net Position instead of a Statement of Net Assets.

The Commission adopted GASB 65 in 2013. This resulted in a restatement to the beginning net position on the Statement of Net Position of \$40,151 to remove deferred bond issue costs no longer required to be capitalized in accordance with GASB 65.

GASB 68, effective for periods beginning after June 15, 2014, requires governments to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The impact of this statement has not yet been determined by the Commission.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain 2012 amounts have been reclassified to conform to the 2013 presentation.

Risk Management

The Commission is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years, nor has there been a significant reduction in coverage during the fiscal year.

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Investments and Investment Income

Cash includes cash on hand, credit card deposits in transit, and deposits in financial institutions.

Investments are carried at fair value. Fair value is determined using quoted market prices, if available.

Investment income includes dividend and interest income on cash deposits and investments, realized gains and losses on investments carried at other than fair value, and the net change for the year in the fair value of investments carried at fair value. Investment income is included as nonoperating revenue in the Statements of Revenues, Expenses, and Changes in Net Position.

Accounts Receivable

The Commission reports accounts receivable at net realizable amounts from customers for use of convention facilities, cost reimbursements, and the 2% hotel, motel, and restaurant gross receipts tax. The Commission provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. The allowance for uncollectible accounts was \$20,000 and \$22,320, for December 31, 2013 and 2012, respectively.

Prepaid Expenses

Prepaid expenses are amounts paid by December 31 which are expenses of the following year. As of December 31, 2013, the balance of \$353,589 includes building, equipment, and other business insurance totaling \$251,987 and other items related to operations totaling \$101,602.

Capital Assets

Capital assets are recorded at cost on the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Estimated useful lives of 15 - 50 years are used for buildings and improvements and 3 - 10 years for equipment.

Works of art, consisting of sculptures purchased at various dates, are capitalized but are not depreciated.

Amortization

Bond premiums are amortized over the life of the respective bonds based on the effective interest method.

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Commission's policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off. Expense and the related liability are recognized as vacation benefits as earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are accrued for the apportioned amount earned.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the Statement of Net Position date plus an additional amount for compensation related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

Net Position

Net position of the Commission is classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, or others external to the Commission, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt, or restricted expendable.

Income Taxes

As an essential government function of the City of Little Rock, Arkansas, the Commission is exempt from taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Advertising Costs

The Commission is charged with promoting and advertising the City of Little Rock as a convention and tourist destination. As a result, all costs other than costs for operation and management of the City's convention facilities are considered advertising and cannot be segregated.

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013 AND 2012

NOTE 2: DEPOSITS AND INVESTMENTS

Cash Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the United States Treasury, United States agencies, or instrumentalities or the State of Arkansas; bonds of any city, county, school district, or special road district of the State of Arkansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2013 and 2012, the Commission had collateral pledged, in the Commission's name, from banks to cover deposits; therefore, none of the Commission's bank balances were exposed to custodial credit risk.

Investments

Arkansas statutes authorize the Commission to invest in direct obligations of the United States Government; obligations on which the principal and interest are fully guaranteed, or are fully secured, insured, or covered by commitments or agreements to purchase by the United States Government; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the United States Government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; federal funds with a maturity of not more than one business day; demand, savings, or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the United States Government, any United States State, or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to United States Government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

The Commission's investments consist of:

	<u>December 31, 2013</u>		<u>December 31, 2012</u>	
	Fair	Maturities	Fair	Maturities
	Value	Less	Value	Less
		Than 1		Than 1
Common trust funds/ money markets	<u>\$ 3,523,972</u>	<u>\$ 3,523,972</u>	<u>\$ 3,815,314</u>	<u>\$ 3,815,314</u>

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Interest Rate Risk - the Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The common trust funds/money market funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Commission's investment policy does not specifically address credit risk.

Concentration of Credit Risk - the Commission places no limit on the amount that may be invested in any one issuer. At December 31, 2013 and 2012, the Commission's investment in common trust funds at one financial institution constituted 100% of its total investments.

Summary of Carrying Values

The carrying values of deposits and investments shown are included in the Statements of Net Position as follows:

	<u>2013</u>	<u>2012</u>
Carrying value		
Deposits	\$ 2,995,342	\$ 3,819,727
Investments	<u>3,523,972</u>	<u>3,815,314</u>
	<u>\$ 6,519,314</u>	<u>\$ 7,635,041</u>
Included in the following captions		
Cash	\$ 593,759	\$ 789,390
Restricted cash and investments - current	2,212,289	2,131,904
Noncurrent restricted cash and investments	<u>3,713,266</u>	<u>4,713,747</u>
	<u>\$ 6,519,314</u>	<u>\$ 7,635,041</u>

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 3: CAPITAL ASSETS

Changes in capital assets for the years ended December 31, 2013 and 2012 are:

<u>2013</u>	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Disposals/ Transfers</u>	<u>Ending Balance</u>
Land	\$ 3,172,328	_____	_____	\$ 3,172,328
Buildings and improvements	53,366,219	\$ 1,061,258	\$(160,812)	54,266,665
Machinery and equipment	4,290,217	95,128	(465,402)	3,919,943
Acquired prior to 1979	<u>2,699,782</u>	_____	_____	<u>2,699,782</u>
	<u>60,356,218</u>	<u>1,156,386</u>	<u>(626,214)</u>	<u>60,886,390</u>
Construction-in-progress	<u>794,719</u>	<u>2,067,626</u>	<u>(890,948)</u>	<u>1,971,397</u>
Total	<u>\$ 64,323,265</u>	<u>\$ 3,224,012</u>	<u>\$(1,517,162)</u>	<u>\$ 66,030,115</u>
<u>2012</u>	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Disposals/ Transfers</u>	<u>Ending Balance</u>
Land	\$ 3,172,328	_____	_____	\$ 3,172,328
Buildings and improvements	53,267,892	98,327	_____	53,366,219
Machinery and equipment	3,938,486	351,731	_____	4,290,217
Acquired prior to 1979	<u>2,699,782</u>	_____	_____	<u>2,699,782</u>
	<u>59,906,160</u>	<u>450,058</u>	_____	<u>60,356,218</u>
Construction-in-progress	<u>193,217</u>	<u>837,242</u>	<u>(235,740)</u>	<u>794,719</u>
Total	<u>\$ 63,271,705</u>	<u>\$ 1,287,300</u>	<u>\$(235,740)</u>	<u>\$ 64,323,265</u>

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013 AND 2012

NOTE 3: CAPITAL ASSETS (CONTINUED)

Changes in accumulated depreciation for the years ended December 31, 2013 and 2012 are as follows:

<u>2013</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Buildings	\$ 24,517,385	\$ 1,231,497	\$(160,812)	\$ 25,588,070
Machinery and equipment	3,027,899	262,994	(416,977)	2,873,916
Acquired prior to 1979	<u>2,105,831</u>	<u>53,996</u>	<u> </u>	<u>2,159,827</u>
Total	<u>\$ 29,651,115</u>	<u>\$ 1,548,487</u>	<u>\$(577,789)</u>	<u>\$ 30,621,813</u>
<u>2012</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Buildings	\$ 23,327,767	\$ 1,189,618		\$ 24,517,385
Machinery and equipment	2,817,528	210,371		3,027,899
Acquired prior to 1979	<u>2,051,835</u>	<u>53,996</u>	<u> </u>	<u>2,105,831</u>
Total	<u>\$ 28,197,130</u>	<u>\$ 1,453,985</u>	<u> </u>	<u>\$ 29,651,115</u>

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013 AND 2012

NOTE 4: LONG-TERM OBLIGATIONS

The following is a summary of long-term debt obligation transactions for the Commission for the years ended December 31, 2013 and 2012:

<u>2013</u>	<u>Beginning Balance</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
1993 revenue bonds, net; 3.0% to 7.375% interest rate	\$ 6,245,000	\$(1,940,000)	\$ 4,305,000	\$2,080,000
Unamortized premium	<u>432,113</u>	<u>(160,428)</u>	<u>271,685</u>	
	<u>\$ 6,677,113</u>	<u>\$(2,100,428)</u>	<u>\$ 4,576,685</u>	<u>\$2,080,000</u>
<u>2012</u>	<u>Beginning Balance</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
1993 revenue bonds, net; 3.0% to 7.375% interest rate	\$ 8,060,000	\$(1,815,000)	\$ 6,245,000	\$1,940,000
Unamortized premium	<u>583,685</u>	<u>(151,572)</u>	<u>432,113</u>	
	<u>8,643,685</u>	<u>(1,966,572)</u>	<u>6,677,113</u>	<u>1,940,000</u>
2007 revenues note 6.235% interest rate	<u>308,554</u>	<u>(308,554)</u>	<u> </u>	<u> </u>
	<u>\$ 8,952,239</u>	<u>\$(2,275,126)</u>	<u>\$ 6,677,113</u>	<u>\$1,940,000</u>

Revenue Bonds, Series 1993

The Series 1993 Advertising and Promotion Commission Bonds were issued for the purpose of refinancing the outstanding revenue bonds Series 1986, which had been issued to refinance the original Series 1980 bond issue for the construction of a convention center. Serial bond principal payments are due each August 1 (excluding 2005 through 2006) with final payment due in 2015. Interest payments are due each February 1 and August 1.

The serial bonds include an unamortized premium of \$271,685 and \$432,113 for December 31, 2013 and 2012, respectively. The bonds are collateralized by proceeds of the 2% hotel, motel, and restaurant gross receipts tax levy. The Commission is required to maintain separate sinking and bond fund accounts and adhere to certain operating requirements as stipulated in the bond agreement.

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013 AND 2012

NOTE 4: LONG-TERM OBLIGATIONS (CONTINUED)

Annual debt service requirements to maturity for bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,080,000	\$ 317,494	\$ 2,397,494
2015	<u>2,225,000</u>	<u>164,094</u>	<u>2,389,094</u>
	<u>\$ 4,305,000</u>	<u>\$ 481,588</u>	<u>\$ 4,786,588</u>

NOTE 5: PENSION PLAN

In 2005, the Commission began contributing to two defined contribution pension plans established by the City of Little Rock for its employees. In December 2013, the Commission adopted a defined benefit plan.

The Nonuniformed Employees Defined Contribution Plan (Nonuniformed Contribution Plan) is a defined contribution plan administered by an independent fiduciary agent, but governed by a Board of Trustees consisting of City Officials. The Nonuniformed Contribution Plan provides retirement, disability, and survivor benefits for nonuniformed full-time employees who have met eligibility requirements as defined by the plan, with the exception of certain executives and officials who may be enrolled in an alternate plan. The Nonuniformed Contribution Plan began on January 1, 1981; benefit provisions are established by City Resolution 6482, as amended. The amount of benefits to be paid to any participant depends solely on amounts contributed to the plan plus investment earnings.

The plan requires that employees contribute no less than 3.5% and may contribute an additional 10% of their base salary. Only contributions up to 3.5% are pre-tax. The Commission is required to contribute 7% of covered payroll each pay period. Participants may become fully vested in employer contributions and investment earnings credited to their account after five years of service. Nonvested Commission contributions and investment earnings are forfeited when participants leave covered employment and are transferred to a separate account which may be used to reduce Commission contributions. For the years ended December 31, 2013 and 2012, the Commission contributed \$176,050 and \$163,623, respectively, to the plan.

On December 23, 2013, the Commission entered into an adoption agreement with the City of Little Rock to adopt the City of Little Rock Non-Uniform Employees Defined Benefit Pension Plan, effective January 1, 2014. This plan is applicable for all new employees and most current employees in the Nonuniformed Contribution Plan will begin participating in this plan. The required employee contribution is 4.5% of their compensation, as defined in the plan. The Commission's required employer contribution is 9%, which may vary as determined by the City's Board of Directors. In conjunction with the adoption of this plan, both the employee and employer contributions to the Nonuniformed Contribution Plan will increase 2% for any employees remaining in that plan.

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013 AND 2012

NOTE 5: PENSION PLAN (CONTINUED)

The 401(a) Money Purchase and Trust Retirement Fund is a defined contribution pension plan established under the Arkansas state law, covering selected employees. Pension expense is recorded for the amount of the Commission's required contributions, determined in accordance with the terms of the plan. The plan is administered by a Board of Trustees. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan documents and were established and can be amended by action of the City's Board of Directors. For the years ended December 31, 2013 and 2012, the Commission contributed \$117,144 and \$102,078, respectively, to the plan.

NOTE 6: CONSTRUCTION, LEASE, AND OTHER AGREEMENTS

FWH II Little Rock, LLC

The Commission leased certain facilities to hotel operators through a construction and lease agreement with BG Excelsior Limited Partnership. In early 2013 the agreement was terminated, and on February 28, 2013, a new lease was entered into with FWH II Little Rock, LLC. The agreement stipulated that the Commission will lease certain facilities to hotel operators through the year 2052 with options for two successive 25 year renewals. In addition, the Commission will receive 4% of any concession sales through September, 2015, increasing to 5% thereafter.

Future expected annual rent income under the new agreement is as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 90,000
2015	95,000
2016	105,000
2017	120,000
2018	135,000
2019 - 2052	150,000

On May 24, 2007, the Commission entered into a repayment contribution commitment in which the BG Excelsior Limited Partnership agreed to pay one half of the annual installment on the note incurred to finance the HVAC project in the Statehouse Convention Center. The payment is recognized as revenue when received. This commitment ended in 2012, due to the note having been paid in full.

Doubletree Hotel

On November 2, 1994, the Commission entered into a new construction and lease, parking, and concession agreement. The agreement stipulates that the Commission will lease certain facilities to hotel operators through the year 2044 with options for two successive 25 year renewals. Annual rents are \$20,200 for air rights and \$70,000 for parking. In addition, the Commission receives 7% of any concession sales.

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

NOTE 6: CONSTRUCTION, LEASE, AND OTHER AGREEMENTS (CONTINUED)

Second and Main Street and Second and Commerce Parking Decks

In 2003, the Commission entered into a new management agreement with the City of Little Rock, Arkansas, in regard to the operation of the parking decks at Second and Main Street and Second and Commerce. Effective January 1, 2007, the management fee is equal to 30% of net income, if any, from operations of the parking decks. The management fees provided to the Commission totals \$85,000 for the years ended December 31, 2013 and 2012, respectively. The management agreement expires in 2023, with renewal options on a month-to-month basis.

River Market

In November 2009, the Commission entered into an agreement with the City of Little Rock to operate and manage the River Market Ottenheimer Hall and related facilities, including the Amphitheatre and the pavilions surrounding the Hall. The Amphitheatre includes the Riverfest Amphitheatre and the area of the Riverfront Park located within the fence surrounding the Amphitheatre including the parking pad, loading areas, bathrooms, dressing rooms, and the Peaks. The agreement renewed on December 31, 2010. The City pays the Commission \$10,000 monthly for the agreement and the Commission reserves \$30,000 each year for capital improvements of the River Market.

Robinson Auditorium Renovation

The Commission is renovating Robinson Center Music Hall with a tentative completion date of Fall 2016, and a preliminary estimate of \$68.6 million, funded primarily through the issuance of bonds secured by the 2% hotel, motel, and restaurant gross receipts tax levy. The Commission expects to issue the bonds in 2014.

LITTLE ROCK ADVERTISING AND PROMOTION COMMISSION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013 AND 2012

NOTE 7: RELATED PARTY TRANSACTIONS

The Commission has acquired certain goods and services, primarily advertising, accommodations, food and beverages from businesses in which certain Commission members have an ownership interest. Transactions with these businesses totaled approximately \$83,011 and \$70,249 for the years ended December 31, 2013 and 2012, respectively.

The Commission paid the City of Little Rock administrative fees for human resource and other services in the amount of \$137,342 and \$146,069 for the years ended December 31, 2013 and 2012, respectively. The Commission paid \$269,019 and \$250,000 to the City in 2013 and 2012, respectively, for the advertising and promotion of the River Market. The Commission paid rent associated with retail space at the River Market Ottenheimer Hall in the amount of \$9,501 in 2013 and \$7,175 in 2012.

NOTE 8: PRIOR PERIOD ADJUSTMENT

GASB 65, *Items Previously Reported as Assets and Liabilities*, reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources, deferred inflows of resources, or current period outflows and inflows. As a result of adoption of GASB 65, net position invested in capital assets was misstated \$40,151 as of January 1, 2012.

	<u>Original Amount</u>	<u>Restated</u>	<u>Restated Amount</u>
Amortization of issuance cost	\$ 11,205	\$(11,205)	\$ 0
Net position invested in capital assets, net of related debt	\$ 28,023,983	\$ 28,946	\$ 27,995,037
Net position, beginning of year	\$ 30,722,955	\$ 40,151	\$ 32,682,804

NOTE 9: TRANSFER TO CITY

During 2013, the Commission received \$900,000 in contributions for the City expenses related to the new River Market Amphitheater roof. The Commission transferred \$1,026,580 to the City for the City's expenses related to the roof.

NOTE 10: SUBSEQUENT EVENTS

Other than the information above and the information included in Note 6, Little Rock Advertising and Promotion Commission did not have any recognized or nonrecognized subsequent events occur after December 31, 2013, the Statement of Net Position date.

Subsequent events have been evaluated through April 15, 2014, the date the financial statements were available to be issued.