

NEW ISSUE

RATING: S&P “AA-” (Stable Outlook)

BOOK-ENTRY ONLY

(See “RATING” herein)

In the opinion of Wright, Lindsey & Jennings LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is of the opinion that the Bonds and the interest thereon are exempt from all state, county and municipal taxes in the State of Arkansas. See the caption “TAX MATTERS” herein.

\$17,795,000

**ARKANSAS DEVELOPMENT FINANCE AUTHORITY
State Agencies Facilities Revenue Bonds
(Department of Community Correction Project), Series 2018**

Dated: August 23, 2018

Due: November 1, as shown below

The Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the registered owner of the Bonds. Individual purchases of the Bonds will be made only in book-entry form, in denominations of \$5,000 or any integral multiple thereof. Individual purchasers (“Beneficial Owners”) of the Bonds will not receive physical delivery of bond certificates. See the caption “BOOK-ENTRY ONLY SYSTEM” herein.

The Bonds are issued pursuant to a Trust Indenture dated as of August 23, 2018 (the “Indenture”), between the Arkansas Development Finance Authority (the “Authority” or the “Issuer”) and U.S. Bank National Association, Olive Branch, Mississippi, as Trustee (the “Trustee”).

The Bonds bear interest from their date of issuance and delivery, payable on May 1 and November 1 of each year, commencing May 1, 2019. All such interest payments shall be payable to the person in whose name such Bonds are registered on the bond registration books maintained by the Trustee. Principal of the Bonds will be payable at the principal corporate trust office of the Trustee. So long as DTC or its nominee is the registered owner of the Bonds, disbursement of such payments to DTC is the responsibility of the Trustee. Disbursement of such payments to DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants, as more fully described herein.

The Bonds are being issued for the purposes of providing funds to (i) pay or reimburse the costs of the acquisition, construction, and financing of facilities to house the headquarters and other operations of the Arkansas Department of Community Correction (“DCC”); and (ii) pay the costs of issuing the Bonds. The Project will be leased by the Authority to the Arkansas Department of Finance and Administration, Division of Building Authority (“DBA”) pursuant to a Lease Agreement dated as of August 23, 2018, (the “Lease”) and subleased by DBA to DCC pursuant to a Sublease Agreement dated as of August 23, 2018, (the “Sublease”).

The Bonds are special limited obligations of the Authority payable solely from, and secured by the pledge of the rentals received under the Lease and the Sublease, and moneys in the funds and accounts created by the Indenture as described herein. The Bonds are not secured by a mortgage on the Project. In no event shall the Bonds constitute an indebtedness of the State of Arkansas (the “State”) or an indebtedness for which the faith and credit of the State or any of its revenues are pledged or an indebtedness secured by a lien on or a security interest in any property of the State. The Bonds are not a general obligation of the Authority. The Authority has no taxing power.

The Bonds are subject to extraordinary redemption, mandatory sinking fund redemption and optional redemption prior to maturity as described herein.

FOR THE MATURITY SCHEDULES, SEE THE INSIDE FRONT COVER.

Stephens Inc.

The Bonds are offered, subject to prior sale, when, as and if issued by the Authority and accepted by Stephens Inc. (the “Underwriter”), subject to approval as to certain legal matters by Wright, Lindsey & Jennings LLP, Bond Counsel, and to certain other conditions. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about August 23, 2018.

\$17,795,000
Arkansas Development Finance Authority
State Agencies Facilities Revenue Bonds
(Department of Community Correction Project) Series 2018

Serial Bonds

<u>Maturity</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP</u> ¹
2019	\$560,000.00	3.000%	101.640%	040849 DH1
2020	580,000.00	4.000	104.787	040849 DJ7
2021	610,000.00	5.000	109.512	040849 DK4
2022	640,000.00	5.000	111.866	040849 DL2
2023	675,000.00	5.000	113.708	040849 DM0
2024	705,000.00	5.000	115.239	040849 DN8
2025	745,000.00	5.000	116.567	040849 DP3
2026	780,000.00	5.000	117.595	040849 DQ1
2027	820,000.00	5.000	118.602	040849 DR9
2028	865,000.00	5.000	119.478	040849 DS7
2029	905,000.00	4.000	109.363*	040849 DT5
2030	940,000.00	4.000	108.445*	040849 DU2
2031	980,000.00	4.000	107.898*	040849 DV0
2032	1,015,000.00	3.125	98.361	040849 DW8
2033	1,050,000.00	4.000	106.011*	040849 DX6
2034	1,095,000.00	4.000	105.479*	040849 DY4
2035	1,140,000.00	4.000	104.950*	040849 DZ1
2036	1,185,000.00	4.000	104.424*	040849 EA5

Term Bonds

\$2,505,000 3.500% Term Bonds due November 1, 2038; Price 97.308%; CUSIP 040849 EB3

* Priced to first optional redemption date, November 1, 2028

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No dealer, broker, salesman, or other person has been authorized by the Issuer or the Underwriter 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 offer, solicitation, or sale of the Bonds, by or to 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 Issuer, DBA or DCC since the date hereof.

The information set forth herein under the captions "THE AUTHORITY" "DIVISION OF BUILDING AUTHORITY" and "DEPARTMENT OF COMMUNITY CORRECTION" has been furnished by the respective authority or agency, except where otherwise noted. All other information set forth herein has been obtained from the Issuer or from sources other than the Issuer that are believed to be reliable, but the adequacy, accuracy, or completeness of such information is not guaranteed by, and it is not to be construed as a representation by, the Issuer or Bond Counsel. The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that there has been no change in the matters described herein since the date hereof or that the information herein is correct as of any time subsequent to its date.

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$17,795,000

Arkansas Development Finance Authority
State Agencies Facilities Revenue Bonds
(Department of Community Correction Project), Series 2018

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, provides certain information concerning the sale by the Arkansas Development Finance Authority (the “Authority”), a public body corporate and politic and an instrumentality of the State of Arkansas (the “State”), of its \$17,795,000 State Agencies Facilities Revenue Bonds (Department of Community Correction Project), Series 2018 (the “Bonds”). The Bonds will be issued pursuant to the Arkansas Development Finance Authority Act, codified as Arkansas Code Annotated Sections 15-5-101 et seq. (the “Act”), and the State Agencies Facilities Acquisition Act of 1991, codified as Arkansas Code Annotated Sections 22-3-1401 et seq. (“Act 1173”). The Bonds are issued pursuant to and are secured by a Trust Indenture dated as of August 23, 2018 (the “Indenture”), by and between the Authority and U.S. Bank National Association, Olive Branch, Mississippi, as trustee, paying agent and bond registrar (the “Trustee”). The Bonds are being issued by the Authority to provide funds to (i) pay the costs of the acquisition, construction and financing of facilities to house the headquarters and other operations of the Arkansas Department of Community Correction (“DCC”); and (ii) pay the costs of issuing the Bonds. The Project is leased by the Authority to the Arkansas Department of Finance and Administration, Division of Building Authority (“DBA”) pursuant to a Lease Agreement, dated as of August 23, 2018 (the “Lease”) and subleased by DBA to DCC pursuant to a Sublease Agreement, dated as of August 23, 2018. See the captions “SOURCES AND USES OF FUNDS” and “THE PROJECT” herein.

The Authority was created in 1985 by the Act as a public body corporate and politic. The Authority is the successor to the Arkansas Housing Development Agency created in 1977. The Act authorizes the Authority to borrow money and issue from time to time its bonds, notes and other obligations in such principal amounts as the Authority determines shall be necessary to provide sufficient funds to carry out its purposes and powers.

In addition to providing financing for public facilities, the Authority is permitted under the Act to issue bonds for the purpose of financing agricultural business enterprises, capital improvements for State agencies and local governments, residential housing for persons and families of low and moderate income, educational facilities, health care facilities, industrial enterprises and short-term advance funding of local government obligations. The Authority is presently committed to several financings for other purposes permitted by the Act and expects to issue other special revenue bonds secured by separate and distinct collateral.

This Official Statement contains descriptions of and information regarding the application of the proceeds of the Bonds, the security and sources of payment for the Bonds, certain investment considerations, the Authority, DBA, DCC, the Act, Act 1173, the Project, the Indenture, the Lease, the Sublease and certain other instruments and documents. Such descriptions and information do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to the appropriate statutes, instruments and documents and to laws and principles of equity relating to or affecting creditors’ rights. Copies of the documents herein described will be available for inspection at the principal corporate trust office of the Trustee upon the initial delivery of the Bonds.

Appendix A contains definitions of terms used in this Official Statement. The proposed form of the opinion of Bond Counsel with respect to the Bonds is included as Appendix B. The Comprehensive Annual Financial Report for the State of Arkansas for the fiscal year ended June 30, 2017 may be downloaded at <http://www.dfa.arkansas.gov/offices/accounting/Documents/cafr2017.pdf>.

PROJECT

The Project consists of the acquisition and renovation of an existing warehouse and related property located 1302 North Pike Avenue, North Little Rock, Arkansas 72114. The property will serve as the new Little Rock Headquarters of DCC. In addition to the warehouse building, there is a separate building located on the property containing approximately 26,000 square feet.

Renovations to the existing warehouse to be accomplished will consist of improvements to provide approximately 131,000 square feet of new office space to include:

- Office areas in Main/Adjacent Building to house:
 - Parole and Probation Services;
 - Parole Board;
 - ACC Administration Office; and
 - ACC Training Academy;
- Conference spaces in each area and one large assembly conference room;
- Training classroom space, indoor gymnasium, and a bachelors' officer quarters for student trainees; and
- Exterior facade upgrade on the front of the structures facing Pike Ave.

In addition, the Project will consist of the acquisition of an existing building containing approximately 22,596 square feet located at 805 Garrison Avenue, Fort Smith Arkansas to serve as the Fort Smith Parole and Probation Office of DCC. No renovations or improvements are contemplated to be paid from Bond proceeds in connection with this property.

DCC may sublease all or a portion of the Project subject to the provisions of the Sublease. See the caption "SUMMARY OF CERTAIN PROVISIONS OF THE SUBLEASE-Assignment and Subleasing" herein. DCC has no present intention to sublet any portion of the Project.

THE BONDS

General

The Bonds are dated as of August 23, 2018. The Bonds shall mature on the dates and in the amounts set forth on the cover page hereof. The Bonds bear interest from their dated date at the rates set forth on the inside cover of this Official Statement. Interest is payable on May 1, 2019, and on each May 1 and November 1 thereafter until maturity or earlier redemption.

All of the Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), to which principal and interest payments on the Bonds will be made so long as DTC or its nominee is the registered owner of the Bonds. See the caption "BOOK-ENTRY ONLY SYSTEM." The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

Redemption Provisions

Extraordinary Redemption. The Bonds are subject to redemption by the Issuer from unexpended proceeds in the Project Fund transferred to the Bond Fund pursuant to Section 4.4 of the Agreement upon at the earlier of (i) the Completion Date, or (ii) expiration of the temporary period for construction financings provided in Section 149 of the Code, in whole or in part on the date fixed for such redemption (which shall be the earliest practicable date in accordance with Section 3.02 of the Indenture), in inverse order of maturity, at a Redemption Price equal to the principal amount of such Bonds to be so redeemed plus accrued interest to the date set for redemption. Furthermore, the Bonds are subject to redemption by the Authority, pursuant to the option granted to the Lessee in Section 11.02 of the Lease, in whole at any time, or in part on any Interest Payment Date, at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof, plus accrued interest to the date of redemption, in the event the Project or any portion thereof is damaged or destroyed or taken in a condemnation proceeding to which Sections 7.02 or 7.05 of the Lease are applicable.

Optional Redemption. The Bonds maturing on and after November 1, 2029 are subject to redemption at the election of the Issuer on or after November 1, 2028, at any time, as a whole or in part, from moneys from any source deposited in the Bond Fund, at a Redemption Price equal to the principal amount of such Bonds to be so redeemed plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Term Bonds maturing November 1, 2038 are subject to redemption in part by operation of Sinking Fund Installments on November 1, 2037, and on each November 1 thereafter as set forth in the table below, at a redemption price equal to the principal amount of each Bond or portion thereof to be redeemed, together with accrued interest to the date of redemption. Where there has been redemption or purchase of any such Term Bonds subject to sinking fund redemption from moneys in the Bond Fund, the amount of each future Sinking Fund Installment shown will be reduced as provided in the Indenture.

<u>Year</u>	<u>Sinking Fund Installment</u>
2037	\$1,230,000
2038	1,275,000

Selection of Bonds for Redemption

If less than all of the Bonds shall be called for redemption, the Bonds to be redeemed shall be identified by the Issuer, and if no specific direction is given, then Bonds shall be redeemed on a pro rata basis for each maturity of Outstanding Bonds. If less than all of the Bonds of like maturity shall be called for redemption, unless otherwise directed by the Issuer, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by Trustee in such manner as Trustee in its discretion may deem fair and appropriate; provided, however, so long as DTC or its nominee (or any successor) is the sole registered owner of the Bonds, the regulations and procedures of the securities depository shall govern the selection process.

Notice of Redemption

In the event any Bonds or portions thereof (which shall be \$5,000 or any integral multiple thereof) are called for redemption, notice thereof identifying the Bonds or portions thereof to be redeemed shall be given by the Trustee by mailing a copy of the redemption notice by first class mail at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption to the Owner of each Bond to be redeemed in whole or in part at such Owner's address as it appears on the registration books maintained by the Trustee. Any redemption notice so mailed shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. All Bonds so called for redemption will cease to bear interest on the specified redemption date provided funds for their redemption are on deposit at the place of payment at that time. Notwithstanding the foregoing, as long as the Bonds are registered in the name of DTC or its nominee (or a successor entity) in the book-entry system, the Trustee may give notice of the call for any redemption by any means, including facsimile transmission, acceptable to DTC or its successors.

BOOK-ENTRY ONLY SYSTEM

When the Bonds are issued, ownership interests will be available to purchasers through a book-entry only system ("Book-Entry Only System") maintained by the Depository Trust Company ("DTC"), New York, New York, or its successor. DTC 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 of the Bonds will be issued in the aggregate principal amount of the maturity, and will be deposited with DTC of the Trustee as its "FAST" agent.

DTC, the world's largest depository, 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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's 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” and, collectively with a Direct Participant, the “Participants”). DTC has a Standard & Poor’s highest rating: AAA. 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.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 (the “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 the Bonds, except in the event that use of the Book-Entry Only System for the Bonds is discontinued.

So long as Cede & Co., as nominee of DTC, is the registered owner of any of the Bonds, the Beneficial Owners of such Bonds will not receive or have the right to receive physical delivery of the Bonds, and references herein to the registered owners of such Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of such Bonds.

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 affect 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 DTC. 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 procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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).

So long as any Bond is registered in the name of DTC’s nominee, all 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 Issuer 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 nor its nominee, the Trustee, or the Issuer, 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 Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

The information concerning DTC and DTC's Book-Entry Only System set forth above has been obtained from DTC. Neither the Underwriter nor the Issuer makes 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 Indenture, 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 Indenture. The Issuer and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (i) the accuracy of any records maintained by DTC or any Participant; (ii) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (iii) 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 Indenture to be given to owners of Bonds; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (v) other action taken by DTC or Cede & Co. as owner of the Bonds.

SECURITY AND SOURCE OF PAYMENT FOR BONDS

Special Obligations

The Bonds and the interest thereon are special limited obligations of the Authority, payable solely from the revenues and other amounts derived from the Lease, the Sublease and the Indenture.

The Bonds are not secured by a mortgage upon or other security interest in the Project or any other tangible property of the Authority. The Bonds do not constitute an indebtedness of the State or a pledge of the faith and credit of the State. No owner of any of the Bonds shall have the right to compel the exercise of the taxing power of the State for the payment of the principal of or interest on the Bonds. The Authority has no taxing power.

Pledge and Assignment

The Bonds are secured by the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" herein.

The Authority, subject to the terms of the Indenture, has pledged and assigned to the Trustee for the benefit of the Owners of the Bonds:

- (a) The Lease and the Sublease and the receipts and revenues therefrom;
- (b) All moneys and securities from time to time held by the Trustee in the Funds and Accounts established under the Indenture (other than the Rebate Fund); and
- (c) Any and all other property of every kind and nature from time to time which is by delivery or writing conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture, by the Authority or by any person on behalf of the Authority, or with the written consent of the Authority, to the Trustee.

The properties and interests described above are called the "Trust Estate" in the Indenture.

SOURCES AND USES OF FUNDS

It is expected that the proceeds of the Bonds will be applied as follows:

Sources of Funds

Par Amount of Bonds	\$17,795,000.00
Premium	<u>1,341,977.45</u>
Total Sources:	<u>\$19,136,977.45</u>

Uses of Funds

Deposit to the Project Fund	\$19,000,000.00
Costs of Issuance and Underwriter's Discount	131,480.00
Rounding Amount	<u>5,497.45</u>
Total Uses:	<u>\$19,136,977.45</u>

DEBT SERVICE REQUIREMENTS

Set forth in the table below is the annual debt service schedule (exclusive of Trustee's and Paying Agent's fees and Authority fees) for the Bonds as of the years indicated:

<u>Date</u> <u>(November 1)</u>	<u>Principal</u> ¹	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$560,000.00	\$883,574.80	\$1,443,574.80
2020	580,000.00	726,393.76	1,306,393.76
2021	610,000.00	703,193.76	1,313,193.76
2022	640,000.00	672,693.76	1,312,693.76
2023	675,000.00	640,693.76	1,315,693.76
2024	705,000.00	606,943.76	1,311,943.76
2025	745,000.00	571,693.76	1,316,693.76
2026	780,000.00	534,443.76	1,314,443.76
2027	820,000.00	495,443.76	1,315,443.76
2028	865,000.00	454,443.76	1,319,443.76
2029	905,000.00	411,193.76	1,316,193.76
2030	940,000.00	374,993.76	1,314,993.76
2031	980,000.00	337,393.76	1,317,393.76
2032	1,015,000.00	298,193.76	1,313,193.76
2033	1,050,000.00	266,475.00	1,316,475.00
2034	1,095,000.00	224,475.00	1,319,475.00
2035	1,140,000.00	180,675.00	1,320,675.00
2036	1,185,000.00	135,075.00	1,320,075.00
2037	1,230,000.00	87,675.00	1,317,675.00
2038	<u>1,275,000.00</u>	<u>44,625.00</u>	<u>1,319,625.00</u>
Total:	\$17,795,000.00	\$8,650,293.68	\$26,445,293.68

¹ Assumes mandatory sinking fund redemption of Term Bonds.

RISK FACTORS RELATED TO OWNERSHIP OF THE BONDS

The following is a discussion of certain risks that could affect lease payments to be made by DCC to DBA and then by DBA to the Authority, as well as factors relating to the security for the Bonds. Lease payments by DCC are essentially the only source of payment for the Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully the information contained in this Official Statement, including but not limited to the Appendices hereto.

General

The principal of, redemption premium, if any, and interest on the Bonds are payable solely from lease payments to be made by DCC to DBA pursuant to the Sublease and by DBA to the Authority pursuant to the Lease Agreement. Future revenues and expenses of DCC will be affected by future events and conditions relating severally to, among other things, economic developments in the State of Arkansas, the ability to control costs during inflationary periods, and governmental regulation. Any of the aforementioned could have negative effects on the ability of DCC to make payments under the Sublease, thereby affecting the ability of the Authority to pay the principal of, redemption premium, if any, and interest on the Bonds and any additional bonds. Many of these factors are discussed in more detail below.

Limited Obligations

The Bonds and the interest thereon are special limited obligations of the Authority, payable solely from the revenues and other amounts derived from the Lease, the Sublease and the Indenture.

The Bonds are not secured by a mortgage upon or other security interest in the Project or any other tangible property of the Authority, DBA or DCC. The Bonds do not constitute an indebtedness of the State or a pledge of the faith and credit of the State. No owner of any of the Bonds shall have the right to compel the exercise of the taxing power of the State for the payment of the principal of or interest on the Bonds. The Authority has no taxing power.

Annual Appropriation Lease

Notwithstanding anything to the contrary contained in the Sublease or the Lease, if the Arkansas General Assembly does not appropriate funds for DCC to make lease payments under the Sublease for any year during the term of the Lease Agreement, DCC shall not be obligated to pay lease payments for the non-appropriated lease year. In such event, the Sublease shall automatically terminate and become null and void as of the end of the preceding lease year. DCC shall notify the Authority in writing of any such non-appropriation as soon as DCC becomes aware of such event. DBA may re-lease the property to another state agency, but it is only obligated to make payments under the Lease to the extent it receives payments under the Sublease or any replacement sublease.

Accordingly, the likelihood that the General Assembly will appropriate money to DCC to make payments under the Sublease through the term of the Bonds is dependent upon certain factors which are beyond the control of the owners of the Bonds, including (a) the continuing need of DCC for facilities such as the Project, and (b) the ability of DCC to generate sufficient funds from state appropriations, licensing and regulatory fees, penalties and fines, federal reimbursement and other sources to pay its obligations under the Sublease.

No Mortgage; Facility May Be Difficult to Sell

The Authority owns the Project, but it has not conveyed a mortgage to secure the Bonds. While the Authority may wish to sell the Project to pay off the Bonds, the Project may not be easily converted to an alternative use or sold to alternate users. Conversion of the Project to an alternate use may require substantial expenditures and there is no assurance that a purchaser or new tenant could be obtained within any particular time. Accordingly potential purchasers of the Bonds should not assume that it will be possible to sell or re-let the Project after a termination of the Sublease for an amount sufficient to provide for payment of the Bonds.

Impact of Current Economic Conditions and Recent Federal Legislation

In recent years, the economies of the United States and other countries have experienced severe disruption, prompting a number of banks and other financial institutions to seek additional capital, including capital provided through the federal government, to merge, and, in some cases, to cease operations. These events collectively have led to reductions in lending capacity and the extension of credit, erosion of investor confidence in

the financial sector, and historically aberrant fluctuations in interest rates. This disruption of the credit and financial markets has led to volatility in the securities markets, losses in investment portfolios, increased business failures and consumer and business bankruptcies, and is a major cause of the current economic recession.

Factors Affecting DCC's Funding

The laws and regulations establishing and governing the programs under which DCC receives funds are subject to interpretation, reinterpretation, amendment or repeal at any time, and DCC has no control over the timing or severity of any such events which may reduce the amounts of state or federal funds received by DCC. There can be no assurance that such events will not occur, or that, if such events do occur, they will not materially reduce the amounts of state or federal funds received by DCC. Similarly, the State portion of DCC's budget, including fees, fines, reimbursements from local governments, and other revenues generated by DCC's regulatory and enforcement activities each year, is subject to appropriation by the General Assembly of the State every year, and DCC has no control over the amounts so appropriated. There can be no assurance that the levels of future appropriations to DCC will not impair its ability to make payments on the Sublease.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material.

Limited Marketability of the Bonds

The Authority has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. The Underwriter intends, but is under no obligation, to make a secondary market in the Bonds. Consequently, investors may not be able to resell the Bonds should they wish to do so.

Sovereign Immunity

The doctrine of sovereign immunity applies to the Authority. Article 5, Section 20 of the Arkansas Constitution provides that "the State of Arkansas shall never be made a defendant in any of her courts." This constitutional prohibition of suits against the State extends to officers of the State acting in their official capacities, subject to certain limited exceptions, such as actions to compel State officials to perform ministerial acts. Consequently, the agents and employees of the Authority may, by mandamus, be compelled to apply the revenues received pursuant to the Lease and Sublease to the payment of the Bonds in accordance with the terms of the Indenture. The remedies available to the registered owners of the Bonds upon the occurrence of a default under the Indenture are in many respects dependent upon regulatory and judicial actions, which are often subject to discretion and delay. Under existing law, the remedies provided under the Indenture may not be readily available or may be limited, and no assurance can be given that a mandamus or other legal action to enforce payment under the Indenture would be successful.

THE AUTHORITY

The powers of the Authority are vested in the Board of Directors, consisting of the State Treasurer, the Director of the Department of Finance and Administration and 11 public members appointed by the Governor with the advice and consent of the State Senate. The Act provides that the Authority shall employ a President who shall serve at the pleasure of the Governor, shall be an ex officio, nonvoting member of the Board and may be elected Secretary to the Board.

Officers and Directors

The names, offices, principal occupations of the directors of the Authority and the dates of expiration of their terms are as follows:

<u>Name</u>	<u>Office</u>	<u>Occupation</u>	<u>Term Expires</u>
John Cooley	Chair	Executive Vice President and CFO, Propak Logistics, Inc.	January 14, 2019
Stan Green	Vice Chair	President, Clear Energy, Inc.	January 14, 2019
Katelyn Busby	Member	Attorney	January 14, 2020
Stephanie Ellis	Member	CEO, ARVAC Inc.	January 14, 2021
Seth M. Mims	Member	President and Partner, Specialized Real Estate Group	January 14, 2020
Stephen G. Rose	Member	Proprietor, Roseland Farms	January 14, 202
Carey Smith	Member	President, C. Smith Holdings, Inc.	January 14, 2021
Tom Spillyards	Member	Banker, retired	January 14, 2021
Gregory Stanfill	Member	EVP and Director of Community Banks, Arvest Bank	January 14, 2021
Denise Sweat	Member	VP, Farm Credit Services of Western Arkansas	January 14, 2022
Dr. Lillie "Lee" Lane	Member	Engineering Executive, retired	January 14, 2022
Aaron Burkes	Ex-Officio Member	President, ADFA	N/A
Dennis Milligan	Ex-Officio Member	State Treasurer, State of Arkansas	N/A
Larry Walther	Ex-Officio Member	Director, State of Arkansas Department of Finance and Administration	N/A

The staff of the Authority presently consists of over 54 full-time employees. Aaron Burkes is President of the Authority, Cheryl Schluterman is Vice President for Finance and Administration, Andrew Branch is Vice President for Housing, Brad Henry is Vice President for Development Finance, Ben Van Kleef is Vice President Legal and Tax Division, and Robert "Ro" Arrington is Director of Public Finance. Mr. Arrington has primary responsibility for the Authority's State Agencies Facilities Program.

The office of the Authority is located at 900 West Capitol Avenue, Suite 310, Little Rock, Arkansas. Its telephone number is (501) 682-5900, and its mailing address is P. O. Box 8023, Little Rock, Arkansas 72203-8023. More information concerning the Authority appears on its website <https://adfa.arkansas.gov/>.

Other Indebtedness of the Authority

The Authority has outstanding various bond issues which have been issued for single-family and multifamily housing, industrial development facilities and higher educational facilities, correctional facilities and other governmental purposes, including state agencies facilities under Act 1173. Such bond issues are secured by other revenues and assets separate and apart from the Indenture. No assets or funds of the Authority, other than those held under the Indenture, are pledged to the payment of the Bonds.

S&P has established an investment grade rating for obligations secured by a pledge of the Authority's full faith and credit. The Bonds are not secured by a pledge of the Authority's full faith and credit.

Future Financings of the Authority

The Authority expects in 2018 and in future years to issue other bonds for purposes authorized in the Act to the extent permitted by law and to finance other activities as permitted by the Act. Such future bonds will be secured by revenues and assets separate and apart from those pledged under the Indenture to secure the Bonds.

DIVISION OF BUILDING AUTHORITY

Arkansas Department of Finance and Administration, Division of Building Authority (“DBA”) is an agency of the State of Arkansas created pursuant to Arkansas Code Annotated Sections 22-2-101 et seq. Prior to August 2003, the agency was known as Arkansas State Building Services. In 2003, the agency became the Arkansas Building Authority. In 2015, the agency became a division of the Arkansas Department of Finance and Administration. DBA is charged by law with the task of arranging for the housing of state agencies as space and facilities permit and to rent and lease space and facilities upon such terms and conditions and for such rentals as DBA may determine. At the present time, it is not possible to house all State agencies, boards and commissions in buildings owned by the State. DBA has under lease, on behalf of other State agencies, boards and commissions, more than 4.1 million square feet of office space from the private sector representing more than 500 leases with annual rentals of more than \$51.5 million.

Policies and procedures for DBA are established by the Director of the Arkansas Department of Finance and Administration. The principal offices of DBA are located at Suite 101N, 501 Woodlane, Little Rock, Arkansas 72201. Its telephone number is (501) 682-1833. More information concerning DBA appears on its website: www.DBA.arkansas.gov.

Pursuant to the terms of the Lease, DBA has agreed to place other State offices in the space subleased to DCC in the event of a default in the performance of DCC’s obligations under the Sublease.

DEPARTMENT OF COMMUNITY CORRECTION

The Arkansas Department of Community Correction (“DCC”) is an agency of the State of Arkansas charged with providing supervision of criminal offenders in the State. The agency provides for the confinement, care, control, and treatment of offenders sentenced to or confined in community correction centers.

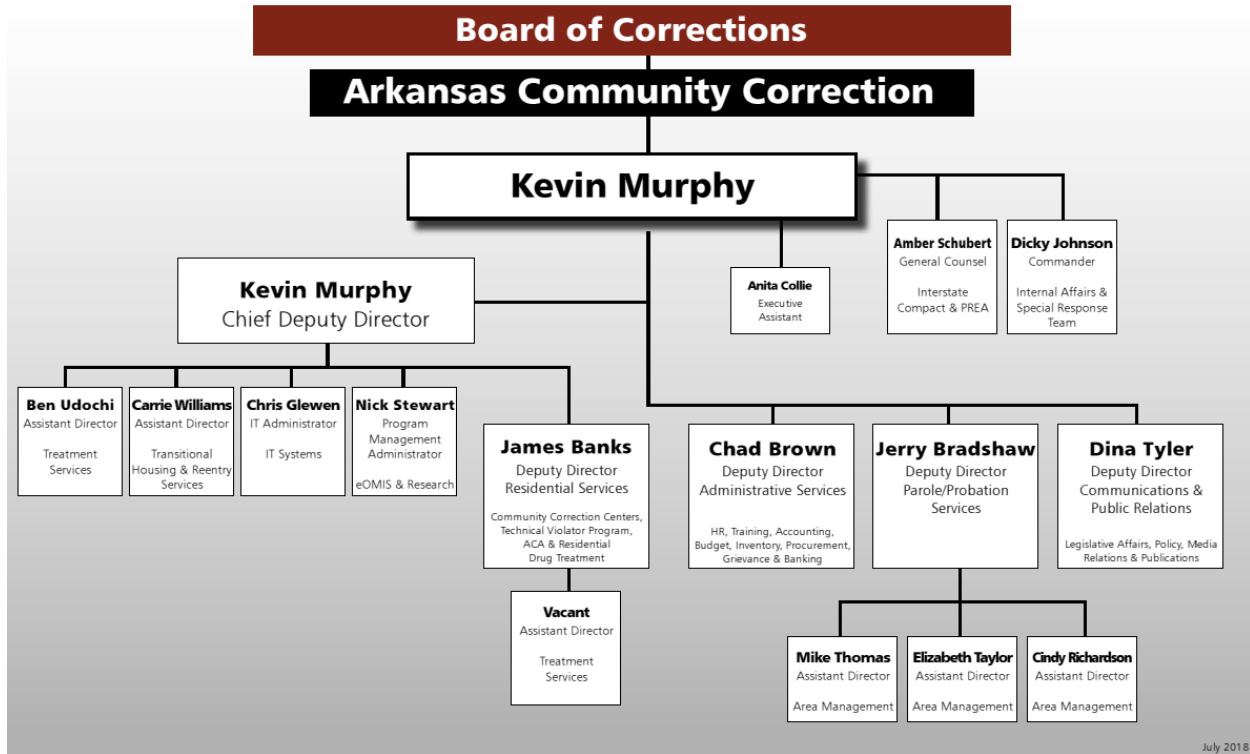
History

In 1993 the Arkansas Legislature passed the Community Punishment Act (Arkansas Code Annotated Section 12-27-125) establishing the Department of Community Punishment. The purpose of this act was to establish an agency to assume the responsibilities of management of all community punishment facilities and services, execute the orders of the criminal courts of the State of Arkansas and provide for the supervision, treatment, rehabilitation and restoration of adult offenders as useful law-abiding citizens within the community. Act 323 of 2001 changed the name of the agency to the Department of Community Correction. This act also transferred supervisory authority of DCC from the Board of Correction and Community Punishment to the Arkansas Board of Corrections.

Organizational Chart

The organizational structure of DCC is as follows:

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Statutory Responsibilities and Primary Activities

DCC provides the following programs and services:

Parole and Probation Services

DCC has employees at each state prison and residential community correction center to manage the transfer of offenders from incarceration to parole supervision in the community. Parole/probation officers manage the offenders under supervision in the community.

Each offender is assigned a supervising parole/probation officer and office location for reporting. These offices are located throughout the state.

DCC uses a comprehensive statewide case management system to assist in the supervision of offenders. Offenders are offered a wide variety of programming options to help decrease the likelihood of recidivating. Certified substance abuse program counselors provide treatment to offenders dealing with alcohol, drug, and tobacco use addiction. Offenders may also be referred by parole/probation officers to programs such as financial education, employment skills, anger management, life skills, and general education.

Parole and probation community-based supervision provides the opportunity for offenders to live and work in the community while completing the remainder of their sentence. Random drug screening is generally required and offenders are required to pay a supervision fee. High priority is placed on victim's rights and the monitoring of restitution payments by offenders.

Specialty Courts

DCC utilizes specialty courts to target medium and high risk offenders. Probation offenders meeting the requirements of a specialty court may be judicially transferred into the program.

Adult specialty courts supervised by DCC include:

(i) Drug Court. Drug Court provides intensive supervision and treatment to drug offenders via a comprehensive team of professionals, including judges, law enforcement, prosecutors, counselors, treatment providers, and supervision officers. The team provides appropriate incentives, sanctions, and services with an

emphasis on evidence-based substance abuse treatment. Successful completion of the drug court program may result in the dismissal of charges, reduced sentences, lesser penalties, or any combination thereof.

(ii) Veterans' Court. Veterans' Courts are specially geared to the treatment of military veterans who pled guilty to a criminal offense before being placed on probation supervision. Offenders are subject to random drug screening, treatment participation, court appearances, and mandatory group counseling. These services are provided in collaboration with the Veterans' Administration, as well as local mental health and substance abuse facilities.

(iii) HOPE (Honest Opportunity Probation with Enforcement) and Swift Courts. HOPE/Swift Courts were created by the Public Safety Improvement Act of 2011. These courts provide honest opportunity probation with swift and certain accountability utilizing graduated sanctions. Offenders participating in swift courts are high risk probationers who are not complying with their current probation requirements. The goal of the program is to help offenders complete their sentence and sustain a healthy lifestyle without re-offending.

(iv) Mental Health Courts Mid-South Health Systems partnered with DCC to offer treatment oriented programming for probationers with a mental health disorder. The target population is offenders who have a misdemeanor with a six to twelve month sentence. The program, similar to drug court, diverts offenders into a treatment program in lieu of jail time.

Community Correction Centers

Community-based residential settings offer the offender structure, supervision, drug/alcohol treatment, educational and vocational programs, employment counseling, socialization and life skills programs, community work transition, as well as other forms of treatment and programs as part of a Modified Therapeutic Community.

Offenders with non-violent or non-sex related offenses may be ordered to one of six Community Correction Center (CCC) located throughout the State in one of three ways:

(i) The offender is sentenced to ADC with a transfer to incarceration at a CCC where the sentence is four years or less. Those who complete therapeutic programming may be released on parole, if approved by the Parole Board.

(ii) Probationers may be ordered by the judge, as an added condition of their probation, to serve up to 365 days of incarceration at a CCC. Probation Plus offenders remain under the authority of the court and return to probation once they have completed their confinement.

(iii) Offenders participating in a drug court program may be sanctioned by their judge to 30, 60, or 90 days of intensive drug treatment at a CCC. Drug court offenders remain under the authority of the court and return to drug court supervision once they have completed their confinement. Drug court offenders may also be sanctioned by their Judge to incarceration at a CCC for up to 365 days.

Interstate Compact

The Interstate Compact staff serves as the communication liaison between Arkansas offices and out-of-state offices and is responsible for processing the initial investigation requests for transfer of supervision from and to other states, progress reports, and extraditions. The Compact Office also provides official notice of the Probation/Parole officer's acceptance or rejection of the offenders for interstate transfer of supervision.

Institutional Release Services

Institutional Release Services is the element of DCC that is responsible for identifying when an inmate is eligible for parole consideration, scheduling the inmate for a parole hearing when eligible, and releasing those inmates approved by the Arkansas Parole Board.

Substance Abuse Program Leaders

DCC employs Substance Abuse Program Leaders who provide services for substance abuse and co-occurring mental health disorders. Services include outpatient substance abuse and mental health related counseling, life and social skills, employment readiness, health education, and referral services.

Supervision Sanction Program

The Supervision Sanction Program (SSP) operates as an alternative sanction for male and female probation and parole technical violators. The SSP is an intensive residential program followed by aftercare services while

under community supervision. A resident completes the program by progressing through a phase system. A resident's length of time in treatment is based upon their program track (90 or 180 days) as well as progress with participation in treatment. A resident may be eligible for early release if criteria is met while in the program. Early release may be granted for up to fifty percent of their total time ordered to be served if participation and progress in treatment meet the eligibility criteria.

Sex Offender Aftercare Program

The Sex Offender Aftercare Program has specialized Parole/Probation officers who supervise high profile, level 3 and 4 sex offenders in the community. The program goal is to increase public safety and provide offender accountability through the containment of sexual offenders using a multidisciplinary approach.

DCC received funding to establish and operate a pilot sex offender program. The program has Parole/Probation officers who have specialized training in such areas as mental health, voice stress analysis, and polygraphic analysis. The staff is located in six regions of the state.

Transitional Housing Information

The transitional housing program provides housing for offenders who have been transferred or paroled from the Arkansas Community Correction by the Parole Board or has been placed on probation by a circuit or district court.

Financial Information Regarding DCC

The Lease Payments that provide security for the Bonds will be made from certain funds of DCC that are annually appropriated by the General Assembly of the State of Arkansas. All expenditures of DCC must be annually appropriated by the General Assembly of the State of Arkansas, including expenditures actually made from revenues that are not derived from the general funds and revenues of the State of Arkansas. Financial information about DCC is included in the Comprehensive Annual Financial Report for the State of Arkansas for the fiscal year ended June 30, 2013, which may be downloaded at: <http://www.dfa.arkansas.gov/offices/accounting/Documents/cafr2013.pdf>.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary, which does not purport to be comprehensive and definitive, of certain provisions of the Indenture. Certain defined terms used in this summary are set forth in Appendix A to this Official Statement.

Funds and Accounts

The Indenture establishes the following Funds and Accounts to be held by the Trustee in trust for application in accordance with the Indenture:

- (a) the Project Fund (and therein the Cost of Issuance Account);
- (b) the Bond Fund; and
- (c) the Rebate Fund.

Project Fund

Moneys deposited to the Project Fund (other than amounts deposited in the Cost of Issuance Account) will be used to pay the Costs of the Project.

The Authority will deposit a portion of the proceeds of the Bonds into the Cost of Issuance Account which shall be used to pay Issuance Costs for the Bonds. Payment for such Issuance Costs shall be made only upon a written request of the Authority giving certain required information concerning the payment.

Bond Fund

Upon the delivery of the Bonds, there shall initially be deposited into the Bond Fund moneys representing any accrued interest received.

There shall be deposited in the Bond Fund from time to time the following: (a) all accrued interest received, if any, at the time of the issuance, sale and delivery of the Bonds; (b) all Pledged Revenues specified in the Lease; (c)

amounts transferred to the Bond Fund in connection with a redemption of Bonds pursuant to the Indenture; and (d) all other moneys received by the Trustee pursuant to the Lease or Indenture which are required to be or which are accompanied by directions that such moneys are to be paid into the Bond Fund. Except where otherwise provided in the Indenture, moneys in the Bond Fund shall be used solely for the payment of the principal of, Redemption Price, and interest on, the Bonds, as and when due and payable, and the fees and expenses of the Trustee, and the Authority.

Investment of Moneys

Moneys held for the credit of the Bond Fund, the Rebate Fund or any other Fund or Account shall be, solely at the written direction of the Authority and to the extent practicable, invested and reinvested in Permitted Investments which will mature, or which will be subject to redemption by the owner thereof at the option of the owner, not later than the date or dates on which the money held for credit of the particular Fund shall be required for the purposes intended. All such investments shall be directed in writing by the Authority. The Trustee shall so invest and reinvest, but only pursuant to instructions from an Authority Representative. Any profit or income realized from such investments shall be credited to the Bond Fund; except that profit or income of the Project Fund realized from such investments shall be credited to the Project Fund, and earnings on investment of the Rebate Fund shall, at all times, be and remain a part of the Rebate Fund until disbursed in accordance with the Indenture and the Tax Compliance Certificate.

Except as provided above, obligations purchased as an investment of moneys in any Fund or Account shall be deemed at all times a part of such Fund or Account.

Rebate Fund

The Authority has covenanted to comply with the provisions of Section 148 of the Code, which requires, under certain circumstances, the rebate to the United States of America of earnings on investment of proceeds of the Bonds in excess of the yield on the Bonds (the "Rebate Amount"). The Authority has covenanted to determine the Rebate Amount within forty-five (45) days after the close of each five-Bond Year period and upon payment or redemption of all principal of the Bonds in accordance with the Code. Upon each such determination, the Trustee shall transfer to the Rebate Fund from the balances in the Bond Fund, and the Project Fund, in that order of priority, the Rebate Amount so determined. Moneys in the Rebate Fund shall be paid by the Trustee, as directed by the Authority, to the United States of America at such times and in such amounts as are necessary to comply with the Code. Upon the receipt by the Trustee of a written request of the Authority certifying that certain amounts in the Rebate Fund are not subject to rebate, the Trustee shall transfer any such amounts to the credit of the Bond Fund. Pending payments from the Rebate Fund, the moneys therein shall be invested in Permitted Investments, and any earnings on such investments shall be retained in the Rebate Fund.

Defaults

A Default under the Indenture means any one of the following events:

- (a) Default in the due and punctual payment of interest on any Bond;
- (b) Default in the due and punctual payment of the principal of any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;
- (c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Authority in the Indenture or in the Bonds contained and failure to remedy the same for a period of 30 days following the written notice thereof from the Trustee or the owners of not less than 25 percent in aggregate principal amount of all Bonds Outstanding to the Authority; or
- (d) The occurrence of a "Default" under the Lease, the Sublease or the Tax Compliance Certificate.

The occurrence of an event of default under the Continuing Disclosure Agreement shall not constitute a "Default" under the Indenture.

Acceleration

In the event of a Default, the Trustee, at the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, shall, by written notice to the Authority, DBA and DCC, declare the Bonds to be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding. Upon any such declaration of acceleration, the Trustee shall immediately declare an

amount equal to all amounts then due and payable on the Bonds to be immediately due and payable under the Lease and Sublease.

Remedies

Upon the occurrence of a Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of and interest on the Outstanding Bonds.

If a Default shall have occurred and be continuing and if requested so to do by the Owners of twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding, and if indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners of the Bonds.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Owners hereunder or now or hereafter existing at law or in equity.

No delay, failure, or omission to exercise any right or power arising upon any Default shall impair any such right or power or shall be construed to be a waiver of any such Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

No waiver of any Default hereunder, whether by the Trustee or by the Owners, shall extend to or shall affect any subsequent Default or shall impair any rights or remedies consequent thereon.

Rights of Owners to Direct Proceedings

Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings thereunder, provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Application of Moneys

Moneys received by the Trustee pursuant to any action taken as the result of a Default shall be paid to and applied by the Trustee as follows:

(1) To the payment of costs and expenses of the proceedings resulting in the collection of such moneys and to the payment of the expenses, liabilities and advances incurred or made by the Trustee, and the creation of a reasonable reserve for anticipated fees, costs, and expenses, to be deposited in the Bond Fund as set forth below.

(2) (a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST: to the payment of amounts due to the Trustee pursuant to the Indenture;

SECOND: the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of maturity of the installments of interest (with interest on overdue installments of such interest to the extent permitted by law) and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

THIRD: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture) (with interest on overdue installments of such principal to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, then to the payment ratably, according to the amount of the principal due on that date, to the persons entitled thereto without any discrimination or privilege; and

FOURTH: to be held for the payment to the persons entitled thereto as the same shall become due of the principal of and interest on the Bonds which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due for principal and interest, to the persons entitled thereto without any discrimination or privilege, with interest on the overdue installments of interest or principal to the extent permitted by law.

(3) The payment of the surplus, if any, to the Authority or DCC, as provided in Section 5.11 of the Indenture.

Whenever moneys are to be applied pursuant to the foregoing provisions, such moneys shall be applied at such times, and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Remedies Vested in Trustee

All rights of action (including the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Bonds, and any recovery of judgment shall be for the equal and ratable benefit of the Owners of the Bonds Outstanding

Rights and Remedies of Owners

No Owner of any Bond shall have any right to institute any suit, action, or proceeding at law or in equity for the enforcement of the Indenture, for the execution of any trust hereof or for the appointment of a receiver or any other remedy thereunder, unless (i) a Default has occurred of which Trustee has been notified as provided in the Indenture, or of which it is deemed to have notice, (ii) the Owners of twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding shall have made written request to Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name and they have offered to Trustee indemnity as provided in the Indenture, and (iii) Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name. Such notification, request, and offer of indemnity are hereby declared in every case at the option of Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, for the appointment of receiver, or for any other remedy thereunder. It is understood and intended that no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the lien of the Indenture by their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner herein provided and for the equal and ratable benefit of Owners of all Bonds Outstanding. However, nothing contained in the Indenture shall affect or impair the right of any Bond to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the obligation of the Authority to pay the principal of and interest on each of the Bonds to the respective Owners thereof at the time, place, from the source and in the manner in the Bonds expressed.

Waivers of Default

The Trustee may waive any Default hereunder and its consequences and rescind any declaration of acceleration of principal, and shall do so upon the written request of the Owners of (1) more than two-thirds (2/3) in aggregate principal amount of all Bonds Outstanding in respect of which Default in the payment of principal or interest or both, exists or (2) more than two-thirds (2/3) in aggregate principal amount of Bonds Outstanding in the case of any other Default; provided, however, that there shall not be waived any Default in the payment of the principal of or interest on any Bonds Outstanding unless prior to such waiver or rescission all arrearages of principal and interest (other than principal on or interest on the Bonds which became due and payable by declaration of acceleration), with interest to the extent permitted by law on overdue installments, and all expenses of Trustee in connection with such Default shall have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken Trustee on account of any such Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee, and the Owners shall be restored to their former positions and rights thereunder, but no such waiver or rescission shall extend to any subsequent or other Default, or impair any right consequent thereon.

Supplemental Indentures Not Requiring Consent of Owners of Bonds

The Authority and the Trustee may, without consent of, or notice to any of the Owners of the Bonds, enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Indenture;
- (b) To grant to or confer upon Trustee for the benefit of the Owners any additional rights, remedies, powers, or authorities that may lawfully be granted to or conferred upon the Owners or Trustee;
- (c) To subject to the lien of the Indenture additional revenues, properties, or collateral;
- (d) To modify, amend, or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to permit the qualification of the Bonds for sale under the securities laws of any of the states of United States of America;
- (e) To evidence the appointment of a separate or Co-Trustee or the succession of a new Trustee;
- (f) To make such additions, deletions, or modifications as may be necessary to assure compliance with the Code, or otherwise as may be necessary to assure the continued exemption from federal income taxation of interest on the Bonds; or
- (g) To make any other change which, in the judgment of the Trustee, does not materially adversely affect the Owners of the Bonds.

Supplemental Indentures Requiring Consent of Owners of Bonds

Exclusive of supplemental indentures permitted without the consent of the Owners of the Bonds described above, the Owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, nothing herein shall permit, or be construed as permitting, without the consent of the Owners of all Bonds Outstanding, (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) a privilege or priority of a Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures or any modifications or waiver of the provisions of the Lease, (e) the creation of any lien ranking prior to or a parity with the lien of the Indenture on the Trust Estate or any part thereof, or (f) the deprivation of the Owner of any Outstanding Bond of the lien created on the Trust Estate.

If at any time the Authority shall request Trustee to enter into any such supplemental Indenture, Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given to the Owners of the Bonds. Such notices shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof on file at the principal corporate trust office of

Trustee for inspection by all Owners. If, within sixty (60) days or such longer period as shall be prescribed by Issuer following such notices, Owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture, the Indenture shall be and be deemed to be modified and amended in accordance therewith

Amendments to Lease or Sublease Not Requiring Consent of Owners of Bonds

The Authority and the Trustee shall without the consent of or notice to the Owners of Bonds consent to any amendment, change, or modification of the Lease or Sublease as may be required (i) by the provisions of the Lease, the Sublease or the Indenture, (ii) for the purpose of curing any ambiguity or for formal defect or omission in the Lease or Sublease, (iii) so as to more precisely identify the Project or to substitute or add additional improvements or equipment to the Project in accordance with the provisions of the Lease, (iv) to enter into an indenture or indentures supplemental hereto as provided above, (v) to make such additions, deletions, or modifications as may be necessary to assure compliance with or otherwise as may be necessary to assure exemption from federal income taxation of interest on the Bonds, or (vi) in connection with any other change therein which, in the judgment of Trustee, is not to the prejudice of Trustee or the Owners.

Amendments to Lease or Sublease Requiring Consent of Owners of Bonds

Except for the amendments, changes, or modifications as provided above, neither the Authority nor the Trustee shall consent to any other amendment, change, or modification of the Lease or Sublease without mailing of notice and the written approval or consent of the Owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds Outstanding, provided that the consent of the Owners of all Bonds Outstanding is required for any amendment, change, or modification of the Lease or Sublease that would permit the termination or cancellation of the Lease or Sublease or a reduction in or postponement of the payments under the Lease or Sublease or any change adverse to the Owners in the provisions relating to payments thereunder. If at any time the Authority, DBA, or DCC shall request the consent of Trustee to any such proposed amendment, change, or modification of the Lease, Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change, or modification to be given to the Owners of the Bonds. Such notice shall briefly set forth the nature of such proposed amendment, change, or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of Trustee for inspection by all Owners.

SUMMARY OF CERTAIN PROVISIONS OF THE LEASE

The following is a summary, which does not purport to be comprehensive and definitive, of certain provisions of the Lease. Certain defined terms used in this summary are set forth in Appendix A to this Official Statement.

Issuance of the Bonds

Pursuant to the Lease, the Authority has agreed to issue the Bonds to pay the costs of the acquisition, construction and equipping of the Project and payment of the costs associated with the issuance of the Bonds.

Term of the Lease

The Lease Term will commence on the date of issuance and delivery of the Bonds, and, unless sooner terminated as provided in the Lease, shall continue until midnight, Little Rock, Arkansas time, November 1, 2038, or on the date that all of the Bonds have been fully paid or provision made for such payment, whichever is later; provided, however, that the Lease may be terminated prior to such date if DBA exercises its option to prepay the amounts payable under the Lease pursuant to the terms thereof (see "Options" below).

Rental Payments

Basic Rent. DBA will pay, or cause to be paid, to the Authority, Basic Rent as follows:

(i) On or before three Business Days prior to the first day of each month while the Bonds are Outstanding, Lessee shall pay, or cause DCC to pay, directly to the Trustee in immediately available funds, the sum

of one-sixth of the aggregate amount of interest becoming due and payable on the Bonds on the May 1 or November 1 next following such payment plus one-twelfth of the aggregate amount of principal and premium, if any, becoming due and payable on the Bonds on November 1 next following such payment; and on or before three Business Days prior to any date on which all the Bonds shall be declared to be and shall become due and payable prior to their stated maturity pursuant to the provisions of the Indenture, DBA shall pay, or cause DCC to pay, directly to the Trustee in immediately available funds, the aggregate amount of principal, premium, if any, and interest becoming due and payable on the Bonds on such date. All such payments shall be deposited by the Trustee in the Bond Fund established under the Indenture.

Any amount at any time held by the Trustee in the Bond Fund (except for any amounts held in any separate, restricted fund within the Bond Fund) shall be credited against the next succeeding rental payment and shall reduce the payment to be made by DBA (or by DCC on DBA's behalf) to the extent such amount is in excess of the amount required for payment of Bonds theretofore matured or called for redemption and past due interest in all cases where such Bonds have not been presented for payment; and further, if the amount held by Trustee in the Bond Fund should be sufficient to pay at the times required the principal of and premium, if any, and interest on the Bonds then remaining unpaid, DBA shall not be obligated to make any further basic rental payments.

(iii) DBA will pay, or cause DCC to pay, directly to the Trustee, the amounts, if any, required to be deposited into the Rebate Fund and rebated to the United States pursuant to the Indenture and the Tax Compliance Certificate. Such payment shall be made within three (3) Business Days of notification by the Authority or the Trustee of the required amount.

(iv) DBA will pay, or cause DCC to pay, directly to the Authority as billed by the Trustee pursuant to the Indenture, as Additional Rent, the administrative fee of the Authority, as bond issuer, an amount equal to 1/8 of 1% (0.125%) of the principal amount of the Bonds Outstanding on November 1 of each year of the Lease Term, which shall be payable on or before November 1 of each year of the Lease Term, commencing November 1, 2019. A final administrative fee shall be payable upon final maturity of the Bonds in an amount equal to 1/8 of 1% (0.125%) of the principal amount of the Bonds outstanding on the last day of the month preceding the final maturity date, multiplied by a fraction the numerator of which shall be the number of months elapsed since the preceding payment (rounded up to the next whole number), and the denominator of which shall be 12.

(v) DBA will pay, or cause DCC to pay, as and when due, the reasonable fees and expenses of the Trustee and any Paying Agents under the Indenture, such reasonable fees and expenses to be paid directly to the Trustee or any Paying Agent for the Trustee's or any such Paying Agents' own account, as and when such reasonable fees and expenses become due and payable, and any reasonable expenses in connection with any redemption of the Bonds.

Additional Rent. In addition to Basic Rent, DBA will pay, or cause DCC to pay, directly to the Authority, as Additional Rent, the amount necessary to reimburse the Authority for expenses of the Authority related to the issuance of the Bonds or in connection with the Project, including without limitation operation and maintenance expenses, which are incurred upon the written request of DBA or DCC.

All amounts payable by DBA or DCC as Basic Rent are assigned by the Authority to the Trustee for the benefit of the Owners of the Bonds.

In the event DBA should fail to make any of the payments required as Basic Rent or Additional Rent, the item or installment so in default shall continue as an obligation of DBA until the amount in default shall have been fully paid, and DBA agrees to pay the same with interest thereon or with respect to payments to Trustee or the Authority with interest thereon from the date thereof until paid at the rate of 10.00% per annum.

Taxes and Governmental and Utility Charges

DBA agrees to pay or cause to be paid during the Lease Term all taxes and governmental charges of any kind lawfully assessed or levied upon the Project or any part hereof; all utility and other charges incurred in the operations, maintenance, use, occupancy, and upkeep of the Project; and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project.

Maintenance and Use of the Project

DBA agrees that at all times during the Lease Term it will, at its own expense, keep the Project in reasonably safe condition as its operations shall permit and keep the Project in good repair and in good operating condition, making from time to time all necessary repairs thereto and replacements thereof.

Insurance

Throughout the Lease Term, DBA shall keep the Project continuously insured through the Arkansas Department of Insurance against such risks as are customarily insured against by private businesses in similar circumstances, with the exception of public liability insurance, paying as the same become due all premiums in respect thereto. Such insurance shall be in an amount equal to or exceeding the lesser of (i) the full replacement value of the Project or (ii) the amount required for the full redemption or retirement of the Bonds then Outstanding.

All policies of insurance related to loss or damage to the Project shall be payable to the Authority, DBA and the Trustee, as their respective interests may appear.

Damage, Destruction and Condemnation

Unless the DBA shall have exercised its options to prepay amounts payable under the Lease as provided therein, if prior to the full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Project or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty, or is condemned, DBA shall be obligated to continue to make its Basic Rent and Additional Rent payments. If Net Proceeds received in connection with such an event exceed \$100,000, such proceeds shall be used to repair or restore the Project or to redeem all or a portion of the Bonds.

Events of Default

The Lease provides that any one or more of the following events will constitute an "Event of Default":

(a) Failure by DBA to pay the Basic Rent or any part thereof required to be paid under the Lease as the same becomes due; or

(b) Failure by DBA to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraph (a) above, for a period of thirty (30) days after mailing notice by certified or registered mail, specifying such failure and requesting that it be remedied, shall have been given to DBA by the Authority or the Trustee, unless the Authority and the Trustee shall agree in writing to an extension of such time prior to its expiration.

The foregoing subparagraph (b) is subject to the following limitation: If by reason of force majeure DBA is unable in whole or in part to carry out the agreements on its part contained in Article V or Section 6.3 or 6.4 of the Lease, DBA shall not be deemed in default during the continuance of such inability. The term "*force majeure*" as used herein shall mean, without limitation, the following: acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods, washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of Lessee. Notwithstanding the applicability of such provisions, the Lease shall remain valid and in full force and effect, and DBA shall pay all Basic Rent as and when due and payable.

Remedies

Whenever any Default under the Lease shall have happened and is continuing, the Authority (with the consent of the Trustee) or the Trustee may take any combination of the following remedial steps:

(a) Declare all installments of Basic Rent and Additional Rent payable for the remainder of the term to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) Re-enter and take possession of the Project without terminating the Lease, and sublease the Project for the account of DBA, holding DBA liable for the difference in the rent and other amounts payable by such sublessee in such subleasing and the Basic Rent and Additional Rent payable by DBA under the Lease.

(c) Terminate the Lease, exclude DBA from possession of the Project and use its best efforts to lease the Project to another for the account of DBA.

(d) Have access to and inspect, examine and make copies of such of the books, records, accounts and data of DBA, as pertain to the Project.

(e) Take whatever action at law or in equity may appear necessary or desirable to collect the rent and any other amounts payable by DBA thereunder, then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of DBA under the Lease.

Any amounts collected pursuant to action so taken shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

In addition, if the Sublease is terminated for reason of non-appropriation the DBA will promptly undertake to obtain other subtenants from among the agencies of the State so there will be no interruption in the receipt of Basic Rent or Additional Rent pursuant to the Lease.

Options

DBA may, at any time prior to full payment of the Bonds, terminate the Lease Term by paying to the Trustee an amount which, when added to the amount on deposit in the Bond Fund, will be sufficient to pay, retire and redeem all of the Bonds Outstanding in accordance with the provisions of the Indenture, together with all necessary and proper fees, compensation and expense of the Authority, the Trustee and any Paying Agent. Upon such prepayment, the Lease will terminate.

DBA also has the option to acquire title to the Project and terminate the Lease in the event of destruction or condemnation of the Project, in whole but not in part, upon not less than forty-five (45) nor more than ninety (90) days' written notice, for the purchase price described in the previous paragraph.

Assignment

The Lease may not be assigned by DBA except with the express written consent of the Authority, which consent may not be unreasonably withheld.

SUMMARY OF CERTAIN PROVISIONS OF THE SUBLEASE

The following is a summary of certain provisions of the Sublease, which is qualified in its entirety by reference to the Sublease, copies of which may be obtained from the Trustee.

Pursuant to the Sublease, DBA will sublet the Project to DCC at a rental equal to the rental described in the Lease. The term of the Sublease commences and is concurrent with the term of the Lease; provided, that the Sublease will automatically terminate in the event the State fails to appropriate and make available to DCC sufficient amounts to make all payments due under the Sublease.

Rental Payments

DCC will pay rental payments to DBA at a rental equal to the rental specified in the Lease together with all other amounts DCC is obligated to pay to the Authority or the Trustee under the Lease or the Indenture.

Term of the Sublease

The Sublease term shall commence at the same time and run concurrent with the Lease term.

DCC's Assumption of Lease Obligations

DCC assumes each and every obligation imposed upon or agreed to by DBA under the Lease.

DBA's Assignment to DCC of DBA's Rights Under the Lease

DBA assigns to DCC all of its rights under the Lease, including all options granted to DBA, including, but not limited to, the right to terminate the Lease upon full payment of the Bonds, the right to acquire the Project upon redemption of the Bonds due to major damage or destruction, or a taking by eminent domain. Additionally, DBA assigns to DCC the right to purchase the Project for a price of One Dollar upon full payment of the Bonds.

Assignment and Subleasing

DCC may not assign the Sublease without the prior written consent of the Issuer, DBA, and the Trustee, which consent shall not be unreasonably withheld. DCC may sublet all or a portion of the Project (i) to other agencies of the State for use solely in governmental activities, or (ii) if DCC shall have delivered to the Issuer, DBA, and the Trustee an opinion of Bond Counsel that such subletting will not cause the Bonds to become “private activity bonds” under section 141 of the Code, to other persons permitted to be tenants of premises owned or leased by the Sublessee under the laws of the State. Notwithstanding the foregoing, no assignment or subletting and no dealings or transactions between the Issuer and DBA or Trustee and any sublessee or assignee shall relieve DCC of any of its obligations under the Sublease and DCC shall remain as fully bound as though no assignment or subletting had been made, and performance by any assignee or sublessee shall be considered only as performance *pro tanto* by DCC.

Maintenance and Modification of the Project by DCC

DCC agrees that during the term of the Sublease it will at its own expense keep, or cause to be kept, the Project in such reasonable safe condition as its operation shall permit and in good operating condition. DCC will not permit any mechanics’ or other liens to be established or remain against the Project and may contest any liens filed upon notice of its intention to do so to the Authority, the Trustee, and DBA.

Insurance Required

During the construction period and throughout the Sublease Term, DCC shall keep, or cause to be kept, the Project continuously insured in such amounts and against such losses and claims as are required by the Lease.

Events of Default

If any “Event of Default”, as defined in the Lease, which events shall be deemed applicable to the Sublease, shall occur as a result of any action or omission taken, suffered, or permitted by DCC in violation of its obligations and agreements under the Sublease, or if DCC shall be adjudicated a bankrupt, or voluntarily seek protection from its creditors under federal or state bankruptcy or insolvency laws, or if DCC shall make a general assignment for the benefit of its creditors, then DCC shall be deemed in default of its obligations under the Sublease. In any such event, DBA shall have, as between DBA and DCC, any and all remedies available to the Authority or the Trustee under the Lease, and such remedies shall be deemed application to the Sublease.

TAX MATTERS

General

In the opinion of Wright, Lindsey & Jennings LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and continuing compliance by the Authority, DBA, DCC and the Trustee with certain covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause such interest on the Bonds to be included in gross income for federal income tax purposes or could otherwise adversely affect such opinion, retroactive to the date of issuance of the Bonds. The Authority and Trustee have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

Notwithstanding Bond Counsel’s opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations’ adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owner’s particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign

corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

In the opinion of Bond Counsel, under existing statutes, interest on the Bonds is exempt from all present State, county and municipal taxation in the State of Arkansas, including income, inheritance and property taxes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Bonds under the laws of Arkansas or any other state or jurisdiction.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Original Issue Discount

As shown on the cover page of this Official Statement, the Bonds maturing in 2032 and 2038 are being sold at an original issue discount (the "Discount Bonds"). The difference between the initial public offering price, 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 close of each 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.

Original Issue Premium

As shown on the cover page of this Official Statement, certain of the Bonds are being sold at a premium (each a “Premium Bond”). 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 Premium Bonds callable prior to their 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 the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

The proposed opinion of Bond Counsel is attached hereto as Appendix B.

SECONDARY MARKET DISCLOSURE

In the Continuing Disclosure Agreement dated August 23, 2018 (the “Continuing Disclosure Agreement”), among the Authority, the Trustee, and DCC, the Authority has covenanted for the benefit of Beneficial Owners of the Bonds to provide certain financial information, if and when available, and operating data relating to DCC by not later than 240 days after the end of its fiscal years, commencing with the fiscal year ended June 30, 2018 (the “Annual Disclosure Statement”), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Disclosure Statement will be filed by the Authority with the Municipal Securities Rulemaking Board’s EMMA system. The notices of material events will be filed by the Trustee or Authority with the Municipal Securities Rulemaking Board. The Authority may satisfy its obligations to file any notice, document or information with the Municipal Securities Rulemaking Board by filing the same with any dissemination agent or conduit, including any “central post office” or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to the Municipal Securities Rulemaking Board, to the extent permitted by the SEC or SEC staff or required by the SEC. These covenants have been made to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). The Continuing Disclosure Agreement is attached hereto as Appendix C.

The Rule requires that an issuer disclose in its official statement any instances in the previous five years in which such issuer failed to comply, in all material respects, with any previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule. In connection with the Authority’s previous bond issues, the Authority entered into individual continuing disclosure undertakings (“Undertakings”) in written agreements specified in paragraph (b)(5)(i) of the Rule. In May of 2014, the Authority initiated a comprehensive review of each of its Undertakings. In connection with that review, the Authority identified over one hundred (100) bond issues currently outstanding and approximately sixty (60) additional bond issues that were previously outstanding during the prior five (5) years. The Authority identified nine (9) categories of bonds or programs for which it acts as an issuer and/or has entered into Undertakings. The Authority (i) is the exclusive issuer of revenue bonds for public facilities acquired or constructed for the benefit of all state agencies which do not have bonding authority (the “State Facilities Program”); (ii) issues bonds to benefit for profit and not for profit businesses for a variety of purposes specifically authorized by Arkansas law (the “Conduit Issuer Program”); (iii) issues single family mortgage revenue bonds (the “Single Family Program”); (iv) issues multi-family mortgage revenue bonds (the “Multifamily Program”); (v) issues bonds to facilitate economic development which the Authority and/or the Arkansas Economic Development Commission (“AEDC”) guarantee through their individual bond guaranty

programs (the “State Bond Guaranty Program”); (vi) guarantees bonds issued by other governmental entities that facilitate economic development (the “Local Bond Guaranty Program”); (vii) issues bonds to support the Arkansas Natural Resources Commission’s Wastewater Revolving Loan Fund (the “Wastewater Program”); (viii) issues bonds authorized by specific legislation to support other state programs (the “Miscellaneous State Bonds Program”); and (ix) issues on behalf of the State of Arkansas certain general obligation bonds (the “GO Program”). While the Authority has not made any determination as to materiality, the following paragraphs summarize the results of the Authority’s review.

With respect to all programs, event notices, including, but not limited to, certain bond rating changes relating to third-party credit enhancement providers, underlying rating changes, bond calls, and the appointment of successor trustees were not filed timely. The Authority has filed with the Municipal Securities Rulemaking Board’s EMMA system rating change notices confirming the current ratings of certain third-party credit enhancement providers and the underlying rating.

With respect to the State Facilities Program, the Conduit Issuer Program, the Wastewater Program and Miscellaneous State Bonds Program, the Authority has had instances of late filings of certain financial information and operating data of the Authority and other obligated parties as required in the Undertakings. The nature of these filings typically include (i) supplemental filings to provide information or data identified in the Undertakings, but not included in the initial filing that was made timely and (ii) the filing of financial statements specific to the obligated person, if available, or alternatively, the State’s CAFR and/or certain financial information and operating data. With respect to financial information, the delay in filing in most instances was a few days to a few months late, but in some unusual situations, the delay was up to five (5) years late. With respect to information or data that was not included with the initial filing, most of these omissions were discovered in connection with the Authority’s recent comprehensive review, and supplemental filings for the necessary years were recently made by the Authority and are continuing to be made by other obligated parties. As noted below, the Authority has implemented a form of annual report to prevent omissions of portions of information in the future and to confirm the status of required financial statements. In connection with annual reports for the June 30, 2014 and June 30, 2015 fiscal years, most of the information required by the Undertakings was filed timely, but not in the annual report format. Actuarial information relating to pension obligations and the per capita general obligation debt calculation were filed late in June 2016. Substantially all filings in the annual report format for the June 30, 2014 and June 30, 2015 fiscal years were filed by July 2016. In connection with some Undertakings for the State Facilities Program, the audited financial statements for certain State agencies for the previous and most recently completed fiscal year are not yet available. In some instances, the Failure to File Notices have not been filed or were filed late.

With respect to the Multifamily Program, most of the bond issues are exempt from the Rule, and the Authority does not have any Undertakings with respect to this program. With respect to the Single Family Program and the GO Program, there were only a few instances of minor late filings.

With respect to the State Bond Guaranty Program and the Local Bond Guaranty Program, most of the Undertakings relating to bonds issued prior to 2010 included a requirement to provide specific information related to borrowers that were in default. The Undertakings permit the Authority to waive requirements not specifically required by the Rule, and the Authority waived the requirement to provide this information, but did not take formal action to do so nor did it file a disclosure identifying the waiver. Documenting the waiver and filing disclosure for each of the effected bond issues has been completed. With respect to bonds guaranteed by AEDC, the Undertakings relating to bonds issued prior to 2009 required the filing, when available, of AEDC’s audited financial statements. AEDC does not receive separately audited financial statements, but rather is one of the component units of the State included in the State CAFR. Prior to 2013, no filings were made because AEDC does not have audited financial statements. In 2013, the Authority, in consultation with AEDC, began filing the State CAFR to satisfy this term of the Undertakings and filed the previous five years CAFRs for all bonds guaranteed by AEDC for which the State CAFR had not been previously filed. With respect to some Undertakings, there were a few instances in which the required disclosure information was not associated with all of the CUSIPs for a bond issue at the time the financial information and operating data were initially filed. These occurrences, though infrequent, were most common in connection with the Local Bond Guaranty Program, and necessary filings have been made for previously skipped CUSIPs.

The Authority has implemented policies and procedures that will aid in the Authority’s on-going compliance with such Undertakings. The Authority noted that the majority of the instances where it did not comply with its Undertakings resulted when the Authority was required to obtain information from a third party. As a result,

recent procedural changes have been implemented to prevent these instances in the future and include, but are not limited to, (i) requiring any obligated party in the Undertakings to specifically designate a representative with whom the Authority may communicate regarding information required by the Undertakings; (ii) incorporating a form of annual report as an exhibit to all subsequent Undertakings and amending in due course existing Undertakings to ensure that both the Authority and other obligated parties provide all required information; and (iii) periodically checking EMMA to ensure such reports and notices have been properly filed and indexed.

The Rule also requires that an obligated party disclose in an official statement related to its debt obligations any instances in the previous five years in which such obligated party failed to comply, in all material respects, with any previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule. The Borrower and the Department are both obligated parties under the Rule. The Department does not have any prior undertakings.

FINANCIAL STATEMENTS

As an institution of the State, the financial affairs of DCC are conducted in compliance with the laws of the State and in conformity with various federal laws, regulations, and procedures applicable to institutions receiving financial assistance under federal programs. Information about DCC is contained in the Comprehensive Annual Financial Report for the State of Arkansas, prepared at the close of each fiscal year, and generally available in February of the following calendar year. Separate annual financial audits of the Authority are performed by independent auditors, and are conducted in accordance with generally accepted auditing standards and the Government Auditing Standards of the Comptroller of the United States.

RATING

Standard & Poor's Rating Services, a Division of the McGraw Hill Companies ("S&P") is expected to assign a rating of "AA-" (stable outlook) to the Bonds. Such ratings reflect only the view of S&P, and an explanation of the significance of the rating may be obtained only from the rating agency furnishing the same. There can be no assurance that any rating will continue for any given period of time or that ratings will not be revised downward or withdrawn entirely. In the Continuing Disclosure Agreement, the Authority and DCC have agreed to give notice of certain material events, including the revision or withdrawal of any rating on the Bonds.

UNDERWRITING

Under a Bond Purchase Agreement dated July 24, 2018 (the "Bond Purchase Agreement"), entered into by and between the Authority and the Underwriter named on the cover page of this Official Statement (the "Underwriter"), the Bonds offered hereby are being purchased from the Authority by the Underwriter at a price of \$19,079,143.70 (the principal amount thereof, plus premium of \$1,341,977.45, less Underwriter's discount of \$57,833.75). The Bond Purchase Agreement provides that the Underwriter shall purchase all of the Bonds offered thereby if any are purchased, and that the obligation to make such purchase is subject to the approval of certain legal matters by Bond Counsel and certain other conditions. The initial public offering prices of the Bonds are as set forth on the cover of this Official Statement. After the commencement of the public offering of the Bonds, the offering prices thereof may be changed from time to time by the Underwriter.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public and may offer the Bonds to such dealers or other underwriters at a price below the public offering price.

LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds or in any way questioning or affecting the validity of any provision of the Bonds, any of the proceedings of the Authority taken with respect to the authorization, issuance, sale, execution or delivery of the Bonds, the pledge or application of any moneys or security provided for the payment of the Bonds, the existence of powers of the Authority, DBA or DCC, or the title of any officers of the Authority, DBA or DCC, to their respective positions.

The Authority is frequently a party to litigation in connection with its lending and guaranty functions. In the opinion of the Authority's General Counsel, no litigation is currently pending or threatened which would adversely affect the Authority's continuing operations or existence.

LEGAL MATTERS

All legal matters related to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Wright, Lindsey & Jennings LLP, Little Rock, Arkansas, Bond Counsel. The proposed form of the opinion of Bond Counsel appears as Appendix B to this Official Statement.

Payment of Bond Counsel's fee for services rendered with respect to the issuance of the Bonds is contingent upon the issuance and delivery of the Bonds.

MISCELLANEOUS

The information contained in this Official Statement has been taken from sources considered to be reliable, but it is not guaranteed. To the best of the knowledge of the undersigned, this 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 the light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement have been duly authorized by the Authority. This Official Statement is dated the date shown on the cover page hereof.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

By: /s/ Aaron Burkes
Aaron Burkes, President

APPENDIX A

DEFINITIONS OF CERTAIN TERMS

“DBA” means the State agency known as the Arkansas Department of Finance and Administration, Division of Building Authority as established under Arkansas Code Annotated Sections 22-2-101 et seq.

“DBA Representative” means the person or persons at the time designated to act on behalf of DBA by written certificate furnished to Issuer and Trustee containing the specimen signatures of such person or persons and signed on behalf of DBA by the Director thereof. Such certificate may designate an alternate or alternates.

“Account” or “Accounts” means one or more of the Accounts established by the Indenture.

“Act” means the Arkansas Development Finance Authority Act, codified as Arkansas Annotated Sections 15-5-101 et seq., and all acts supplemental thereto or amendatory thereof.

“Act No. 1173” means the State Agencies Facilities Acquisition Act of 1991, codified as Arkansas Code Annotated Sections 22-3-1401 et seq., and all acts supplemental thereto or amendatory thereof.

“Authority Representative” means the person or persons at the time designated to act on behalf of Issuer by written certificate furnished to DBA, DCC and the Trustee containing the specimen signatures of such person or persons and signed on behalf of Issuer by its President. Such certificate may designate an alternate or alternates.

“Authorized Officer” means the Chair, Vice Chair or President of the Issuer or any other officer or employee of the Issuer authorized to perform the particular acts or duties by resolution duly adopted by the Issuer or by law.

“Bond Fund” means the Bond Fund created in the Indenture.

“Bond Year” means each period from and including July 1 through and including the following June 30; provided, however, that the initial Bond Year shall commence on the Closing Date and end on June 30, 2019, and the last Bond Year shall end upon the final payment of the Bonds (whether at maturity or by redemption prior to maturity).

“Bonds” means the \$17,795,000 aggregate principal amount of Issuer’s State Agencies Facilities Revenue Bonds (Department of Community Correction Project), Series 2018 issued pursuant to the Indenture.

“Business Day” means a day on which banking business is transacted, but not including any day on which banks are authorized to be closed, in Little Rock, Arkansas or in the city in which Trustee has its principal corporate trust office.

“Certificate” means a document signed by an Authorized Officer attesting to or acknowledging the circumstances or other matters therein stated.

“Closing Date” means the date upon which there is an exchange of the Bond for the proceeds representing the purchase price of the Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986, as amended, and the Regulations (including temporary or proposed Regulations) thereunder.

“Cost of Issuance Account” means the Cost of Issuance Account in the Project Fund created in the Indenture.

“Cost of the Project” means all costs and items permitted to be financed under the provisions of the Act and Act No. 1173 incurred on or after the date that was 60 days prior to the Official Action Date, including but not limited to: (i) the cost of the accomplishment of the Project, and all land, rights-of-way, options to purchase land, easements, leasehold estates in land, and interests of all kinds in land related to the Project; (ii) the cost of the acquisition, construction or improvement of all buildings and structures to be used as or in conjunction with the Project; (iii) the cost of site preparation, including the cost of demolishing or removing any buildings or structures the removal of which is necessary or incident to providing the Project; (iv) the cost of architectural, engineering, legal, title and related services, including title insurance; the cost of the preparation of plans, specifications, studies, surveys, and estimates of cost and of revenue; and all other expenses necessary or incident to planning, providing, or determining the feasibility and practicability of the Project; (v) the cost of all fixtures, machinery, equipment, and facilities necessary or incident to the Project so that it may be placed in operation; (v) the cost of

financing charges and interest prior the Completion Date and for a maximum of six months after the Completion Date; (vii) Issuance Costs; (viii) bond insurance premiums; and (ix) all direct and indirect costs of Issuer incurred in connection with providing the Project.

“Counsel’s Opinion” means an opinion signed by an attorney or firm of attorneys, selected by the Issuer, of nationally recognized standing in the field of law relating to municipal securities.

“DCC” means Department of Community Correction, an agency of the State of Arkansas.

“DCC Representative” means the person or persons at the time designated to act on behalf of DCC by written certificate furnished to Issuer, DBA, and Trustee containing the specimen signatures of such person or persons and signed by the Director of DCC. Such certificate may designate an alternate or alternates.

“Default” means, with respect to any Default under the Indenture, any occurrence or event specified in and defined by the Indenture.

“Fiduciary” or “Fiduciaries” means the Trustee, any Co-Trustee, any additional Paying Agent, or any or all of them, as may be appropriate.

“Fund” or “Funds” means one or more of the Funds created in the Indenture.

“Governmental Obligations” means (i) direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America; and (ii) any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in clause (i) above.

“Indenture” means the Trust Indenture dated as of August 23, 2018, pursuant to which the Bonds are authorized to be issued, and any amendments and supplements thereto.

“Interest Payment Date” means each May 1 and November 1 commencing May 1, 2019, and any date on which Bonds are called for redemption pursuant to the Indenture, so long as any Bonds are Outstanding.

“Issuance Costs” means all costs and expenses of issuance of the Bonds, including, but not limited to: (i) underwriters’ discount and fees; (ii) counsel fees, including bond counsel, underwriters’ counsel, Issuer’s counsel, DCC’s counsel, and DBA’s counsel, as well as any other specialized counsel fees; (iii) financial advisor fees; (iv) rating agency fees; (v) trustee fees and trustee counsel fees; (vi) paying agent and certifying and authenticating agent fees related to issuance of the Bonds; (vii) printing costs of the Bonds and of the preliminary and final official statement; and (viii) publication costs associated with the financing proceedings.

“Issuer” or “Authority” means the Arkansas Development Finance Authority, a body politic and corporate of the State created by the Act, duly organized and existing under the laws of the State, and its successors and assigns.

“Lease” means the Lease Agreement dated as of August 23, 2018, between Issuer and DBA, and any amendments and supplements thereto.

“Lease Payments” means the amounts payable by DBA pursuant to the Agreement.

“Net Proceeds” (a) when used with respect to any insurance or condemnation award, means the gross proceeds from the insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorney’s fees and any extraordinary fee of Trustee as defined in the Indenture) incurred in the collection of such gross proceeds, and (b) when used with respect to the Bonds, means the amount of Bond proceeds deposited into the Project Fund less the amount paid out or to be paid out from such proceeds for payment of the legal, accounting, financing and printing expenses, fees and all other expenses incurred in connection with the issuance of the Bonds, and shall not include any investment income on moneys in the Project Fund.

“Original Purchaser” means the first purchaser of the Bonds from Issuer.

“Outstanding” or “Bonds Outstanding” means all Bonds which have been authenticated and delivered by Trustee under the Indenture, except: (a) Bonds cancelled after purchase in the open market or because of payment at, or redemption prior to, maturity; (b) Bonds paid or deemed paid pursuant to the Indenture; (c) Bonds cancelled

after exchanges pursuant to the Indenture; and (d) Bonds in lieu of which others have been issued, authenticated, and delivered pursuant to the Indenture.

“Owner” or “Bondowner” means the person or persons in whose name or names a Bond shall be registered on the books of Issuer kept by Trustee for that purpose in accordance with the provisions of the Indenture.

“Paying Agent” or “Paying Agents” means the Trustee and such financial institutions as are appointed additional Paying Agents pursuant to the Indenture.

“Permitted Encumbrances” means, as of any particular time, (i) liens for taxes and assessments not then delinquent or which Lessee may, pursuant to the provisions of the Agreement, permit to remain unpaid; (ii) the Agreement, the Indenture, and the Sublease; (iii) utility, access, and other easements and rights-of-way, restrictions, and exceptions that the Authorized Lessee Representative certifies will not interfere with or impair the Project; and (iv) such minor defects, irregularities, encumbrances, and clouds on title as normally exist with respect to property similar in character to the Project and as do not materially impair the property affected thereby.

“Permitted Investments” means:

(a) Governmental Obligations;

(b) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Farmers Home Administration certificates of beneficial ownership;

(ii) General Services Administration participation certificates;

(iii) Government National Mortgage Association guaranteed mortgage-backed bonds and pass-through certificate obligations;

(iv) U. S. Department of Housing and Urban Development local authority bonds; or

(v) Federal Housing Administration debentures.

(c) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U. S. Government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Banks consolidated debt obligations;

(ii) Federal Home Loan Mortgage Corporation debt obligations;

(iii) Federal National Mortgage Association debt obligations;

(iv) Student Loan Marketing Association debt obligations;

(v) Resolution Funding Corporation obligations; or

(vi) Farm Credit System consolidated system-wide bonds and notes.

(d) U. S. Treasury, U. S. Government, or tax-exempt money market funds registered with the federal Securities and Exchange Commission and meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended. Any money market fund which meets the requirements of this clause (d) may be maintained by the Trustee;

(e) certificates of deposit of any national or state bank which has deposits insured by the Federal Deposit Insurance Corporation and which bank (i) has an unsecured long-term debt obligation rating by Standard & Poor’s Corporation (S&P”) of not less than “AA” or (ii) is the lead bank of a parent holding company with an unsecured long-term debt rating by S&P of not less than “AA3”;

(f) commercial paper rated, at the time of purchase, “A-1+” by S&P;

(g) bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by S&P;

(h) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured, and unguaranteed obligation rating of “A-1+” or better by S&P;

(i) the following investments fully insured by the Federal Deposit Insurance Corporation: (a) certificates of deposit, (b) savings accounts, (c) deposit accounts, (d) depository receipts of a bank, savings and loan association, or mutual savings bank.

“Pledged Revenues” means any and all of the rents, amounts, income, revenues, issues and profits, and any other sums of money payable or receivable (i) under the Agreement (except for amounts payable to or for the Rebate Fund and to the Issuer thereunder); (ii) under the Sublease (except for amounts payable to or for the Rebate and to the Issuer thereunder as Additional Rent or by way of indemnity); (iii) from any other sub-subletting of the Project by DCC pursuant to and in full compliance with the Sublease; and (iv) from the net earnings of the investment of moneys in the Funds and Accounts created in the Indenture (except for the Rebate Fund).

“Principal Installment” means, as of any date of calculation, the principal amount of all Bonds Outstanding due and payable on a specified future date.

“Project” means the Project as defined in the Lease and in the Indenture, and generally described under the caption “THE PROJECT”, herein.

“Project Fund” means the Project Fund created in the Indenture.

“Rating Agency” means Standard & Poor’s Rating Services, a Division of the McGraw Hill Companies.

“Rating Letter” means the letter stating that the Bonds are rated “AA-” (stable outlook) by the Rating Agency.

“Rebate Fund” means the Rebate Fund created in the Indenture.

“Record Date” means that date which is the fifteenth (15th) day of the month immediately preceding any interest payment date or redemption date of such Bond.

“Redemption Price” means, when used with respect to a Bond or portion thereof to be redeemed, the principal amount of such Bond or such portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture.

“Regulations” means proposed, temporary and permanent regulations promulgated under the Code.

“Sinking Fund Installment” means any amount of money required to be paid on a specified date by the Issuer as provided in the Indenture, toward the retirement of any Term Bond, but not including any amount payable by reason of the maturity of a Term Bond.

“State” means the State of Arkansas.

“Sublease” means the Sublease Agreement by and between DBA and DCC dated as of August 23, 2018 and any amendments and supplements thereto.

“Tax Compliance Certificate” means an agreement by and between the Issuer and the Trustee prescribing the procedures for compliance with Section 148 of the Code and the Regulations promulgated thereunder, which is applicable to the Bonds and the Indenture.

“Term of the Agreement” means the term of the Agreement as specified in the Agreement.

“Term Bonds” means the Bonds maturing on November 1, 2038.

“Trustee” means U.S. Bank National Association, Olive Branch, Mississippi, and its successors and any entity resulting from or surviving any conversion, sale, transfer, consolidation, or merger to which it or its successors may be a party and any successor Trustee then serving as successor trustee under the Indenture.

“Trust Estate” means the property conveyed to Trustee pursuant to the Granting Clauses of the Indenture.

APPENDIX B
PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Arkansas Development Finance Authority
Little Rock, Arkansas

U.S. Bank National Association
Olive Branch, Mississippi

Re: Arkansas Development Finance Authority State Agencies Facilities Revenue Bonds (Department of
Community Correction Project), Series 2018

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Arkansas Development Finance Authority (the “Issuer”) of its Arkansas Development Finance Authority State Agencies Facilities Revenue Bonds (Department of Community Correction Project), Series 2018 (the “Bonds”). The Issuer is a public body politic and corporate, with corporate succession, and an independent instrumentality of the State of Arkansas (the “State”), exercising essential public functions, created under the provisions of the Arkansas Development Finance Authority Act, Arkansas Code Annotated §§ 15-5-101 et seq. (the “Act”). The Bonds are authorized to be issued under the Act, the State Agencies Facilities Acquisition Act of 1991, Arkansas Code Annotated §§ 22-3-1401 et seq. (“Act 1173”), and a resolution of the Issuer adopted August 16, 2018 (the “Resolution”). The Bonds are issued under and secured by a Trust Indenture dated as of August 23, 2018 (the “Indenture”), by and between the Issuer and U.S. Bank National Association, Olive Branch, Mississippi, as trustee thereunder (the “Trustee”). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture.

The Bonds are being issued to provide funds to (a) pay the costs of the acquisition, construction and financing of facilities to house headquarters and other operations of Department of Community Correction (“DCC”); and (ii) pay the costs of issuing the Bonds.

The Bonds are issuable in fully registered form, but only in the manner and subject to the terms and conditions set forth in the Indenture, and are dated, mature, bear interest and are subject to redemption prior to maturity as provided in the Indenture. The Bonds are secured by the Issuer’s pledge, under the Indenture, of certain revenues (the “Pledged Revenues”) received under the Lease Agreement dated as of August 23, 2018, between Issuer and Arkansas Department of Finance and Administration, Division of Building Authority (“DBA”) (the “Lease”) and the Sublease Agreement by and between DBA and DCC dated as of August 23, 2018 (the “Sublease”), and certain funds and accounts created by the Indenture.

THE BONDS SHALL CONSTITUTE LIMITED OBLIGATIONS OF THE ISSUER, SECURED SOLELY BY A PLEDGE OF THE PLEDGED REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL OR SPECIAL, OF THE STATE, ANY MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR PAYMENT OF THE BONDS. THE ISSUER HAS NO TAXING POWER.

In connection with the issuance of the Bonds, we have examined (i) copies of the Act and Act 1173, (ii) a copy of the Resolution; (iii) a copy of the Indenture; (iv) copies of the Lease and the Sublease and (v) such other opinions, documents, certificates and letters as we deem relevant and necessary in rendering this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer, DBA and DCC contained in the Indenture, the Lease and the Sublease, and the certified proceedings and other certifications of officials of the Issuer, DBA and DCC furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

(1) The Issuer is duly created and validly existing as a body corporate and politic and a public instrumentality of the State with the corporate power to enter into and perform the Indenture and the Lease and to issue the Bonds.

(2) The Indenture, the Lease, and the Sublease have been duly authorized, executed and delivered by the parties thereto and constitute the valid and binding obligations of the parties thereto enforceable against the parties thereto in accordance with their respective terms. The Indenture creates a valid lien on the Pledged Revenues and the rights of the Issuer under the Lease and the Sublease.

(3) The Bonds have been duly authorized, executed and delivered by the Issuer, and are valid and binding obligations of the Issuer, payable solely from the revenues and other funds provided therefor in the Indenture.

(4) Interest on the Bonds is excluded 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; it should be noted, however, that, for the purpose of computing the federal alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence assumes compliance by the Issuer, the Trustee, DBA and DCC with certain covenants designed to satisfy the requirements of the Internal Revenue Code of 1986 that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Issuer, DBA and DCC have covenanted to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

(5) The Bonds and the interest thereon are exempt from all Arkansas state, county and municipal taxes, including income, inheritance and property taxes.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that hereafter occur.

Very truly yours,

WRIGHT, LINDSEY & JENNINGS LLP

APPENDIX C

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated August 23, 2018 (this “Agreement”) is executed and delivered by Department of Community Correction (the “Department”), the Arkansas Development Finance Authority (the “Authority”), and collectively with the Department, the (“Disclosing Parties”) and U.S. Bank National Association, as Trustee (the “Trustee”), in connection with the issuance by the Authority of its \$17,795,000 Arkansas Development Finance Authority State Agencies Facilities Revenue Bonds (Department of Community Correction Project) Series 2018 (the “Bonds”). The Bonds are being issued pursuant to an authorizing resolution of the Authority and that certain Trust Indenture by and between the Authority and the Trustee, dated as of August 23, 2018 (the “Indenture”). The Disclosing Parties and Trustee covenant and agree as follows:

Section 1. Purpose of this Agreement. This Agreement is being executed and delivered by the Disclosing Parties and the Trustee for the benefit of the Beneficial Owners (as defined below) of the Bonds and in order to assist the Underwriter (as defined below) in complying with, and constitutes the written undertaking for the benefit of the Beneficial Owners of the Bonds required by, subsection (i) of the Rule (as defined below). Notwithstanding any other provision of this Agreement, it is the intent of the Underwriter, the Disclosing Parties and the Trustee that the Rule controls the obligations of the parties with respect to the matters addressed herein. In the event of any conflict between the Rule and this Agreement, this Agreement shall be interpreted and/or modified, as appropriate, so that it complies with and is consistent with the Rule.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings.

“Annual Disclosure Statement” shall mean any Annual Disclosure Statement provided by the Department and filed by the Authority in the form attached hereto as Exhibit A and as further described in Section 4(a).

“Audit” shall have the meaning provided in Arkansas Code Annotated Section 10-4-402(a)(1), as the same may be amended from time to time. The Audit shall be provided by the Department’s Disclosure Representative upon receipt to the Authority’s Disclosure Representative.

“Authority/Department Disclosure Representative” shall mean (i) with respect to the Authority, the Vice President for Internal Audit or his or her designee, or such other officer or employee as the Authority shall designate in writing to the Board and the Trustee from time to time; and (ii) with respect to the Department, the then current General Counsel or the then current Internal Auditor, or their respective designees, or such other officer or employee as the Department shall designate in writing to the Authority and the Trustee from time to time.

“Beneficial Owner” of a Bond shall mean any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, has or shares (i) voting power which includes the power to vote, or to direct the voting of, a Bond and/or (ii) investment power which includes the power to dispose, or to direct the disposition of, a Bond.

“Business Day” shall mean any day on which banks located in the city in which the designated corporate trust office of the Trustee is located is open for business.

“Disclosure Representative” shall mean the Vice President for Development Finance or his or her designee, or such other officer or employee as the Authority shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean the Authority, acting in its capacity as Dissemination Agent under this Agreement, or any successor Dissemination Agent designated in writing by the Authority 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.

“Financial Audit” shall have the meaning provided in Arkansas Code Annotated Section 10-4402(a)(3), as the same may be amended from time to time. The Financial Audit shall be provided by the Department’s Disclosure Representative upon receipt to the Authority’s Disclosure Representative.

“Listed Events” shall mean any of the events listed in Subsection 5(a). “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.

“Underwriter” shall mean Stephens Inc.

Section 3. Provision of Annual Disclosure Statement.

(a) The Authority, as Dissemination Agent, shall, or shall cause the Trustee to, not later than 240 days after the end of the Department’s fiscal year, commencing with the fiscal year ended June 30, 2018, provide to the MSRB through its continuing disclosure service portal which is provided through EMMA at <http://www.emma.msrb.org>, or any similar system acceptable to the Securities and Exchange Commission, its Annual Disclosure Statement that is consistent with the requirements of Subsection 4(a) of this Agreement and in the form attached hereto as Exhibit A. Not later than 30 days prior to said date, the Department shall provide the Annual Disclosure Statement to the Authority. Not later than 15 days prior to said date, the Authority shall provide the Annual Disclosure Statement to the Trustee, and if filed, proof of filing with the MSRB, or if not filed, with directions to the Trustee to file the Annual Disclosure Statement with the MSRB.

(b) Each Annual Disclosure Statement shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Each Annual Disclosure Statement may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Agreement; provided that, any audited financial statements, Audit, or Financial Audit may be submitted separately from the balance of the Annual Disclosure Statement and later than the date required above for the filing of the Annual Disclosure Statement if they are not available by that date, but shall be submitted, when and if available, within 30 days of the Authority being informed or discovering that any audited financial statements, Audit, or Financial Audit is available.

(c) If by 15 days prior to the date specified in Subsection 3(a) for providing the Annual Disclosure Statement to the MSRB, the Trustee has not received a copy of the Annual Disclosure Statement and proof of filing with the MSRB, the Trustee shall contact the appropriate Disclosure Representative to determine if the Authority and the Department are in compliance with Subsection 3(a).

(d) If the Trustee is unable to verify that the Annual Disclosure Statement has been provided to the MSRB by the date required in Subsection 3(a), the Trustee shall send a notice to the MSRB in substantially the form attached as Exhibit B.

(e) On the effective date of this Agreement, the most recent fiscal year for which the Department’s Internal Control and Compliance Assessment were available were for the year ending June 30, 2016. On the effective date of this Agreement, the auditor of the Department’s financial statements is the Legislative Joint Auditing Committee of the Division of Legislative Audit for the State of Arkansas. The authority and duties of the Division of Legislative Audit are set forth in Arkansas Code Annotated §§ 10-4-401 *et. seq.*

Section 4. Content of Annual Disclosure Statement.

(a) The Disclosing Parties’ Annual Disclosure Statement shall contain or incorporate by reference the following:

(i) If prepared and available, the Department’s Internal Control and Compliance Assessment for the most recent fiscal year available.

(ii) If prepared and available, the Comprehensive Annual Financial Report (CAFR) of the State of Arkansas for the most recent fiscal year available.

(b) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Disclosing Parties or related public entities, which have been submitted to the MSRB. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Disclosing Parties shall clearly identify each such other document incorporated by reference.

Section 5. Reporting of Significant Events.

(a) This Section shall govern the giving of notices of the occurrence of any of the following events:

(i) Principal and interest payment delinquencies;

- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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 Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls (other than mandatory sinking fund redemptions, if any), if material;
- (ix) Defeasances and tender offers;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Department;
- (xiii) The consummation of a merger, consolidation or acquisition involving the Department or the sale of all or substantially all of the assets of the Department, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) If a Listed Event occurs while any Bonds are outstanding, the Authority or the Department, as appropriate, shall provide, or shall cause to be provided by the Trustee, a Listed Event Notice (the “Listed Event Notice”), in a timely manner within ten (10) Business Days after the occurrence of such Listed Event, to 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. 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.

(c) Upon occurrence of a Listed Event, the Department agrees to report such occurrence to the Authority in a timely manner not in excess of two Business Days after the occurrence of such Listed Event. The Authority shall in a timely manner determine if a notice relating to such reported event must be filed and, if filing is required, file the Listed Event Notice in the time required by Section 5(b).

(d) The Trustee shall promptly advise the Authority whenever, in the course of performing its duties as Trustee hereunder, the Trustee identifies an occurrence which may require the Authority to provide a Listed Event Notice; provided that, the failure of the Trustee so to advise the Authority shall not constitute a breach by the Trustee of any of its duties and responsibilities hereunder or under the Indenture.

(e) If the Trustee has been instructed by the Authority to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the MSRB through EMMA. Notwithstanding the foregoing, notice of Listed Events described in subsections (viii) and (ix) of the definition of “Listed Event” in Section 5(a) of this Agreement need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owners of affected Bonds pursuant to the Indenture.

(f) Notwithstanding the above, the Trustee shall file a notice in accordance with subsection (d) above of Listed Events described in subsections (viii) and (ix) of the definition of “Listed Event” in Section 5(a) of this Agreement without direction from the Authority and without a determination by the Authority as whether such event must be filed pursuant to applicable federal securities laws.

Section 6. Termination of Reporting Obligation. The obligations of the Disclosing Parties under this Agreement shall terminate upon the defeasance, prior redemption, or payment in full of all of the Bonds.

Section 7. Additional Information. Nothing in this Agreement shall be deemed to prevent the Disclosing Parties from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Disclosure Statement or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Disclosing Parties choose to include any information in any Annual Disclosure Statement or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Disclosing Parties shall not have any obligation under this Agreement to update such information or include it in any future Annual Disclosure Statement or notice of occurrence of a Listed Event.

Section 8. Amendment and Waiver. Notwithstanding any other provision of this Agreement, the Disclosing Parties and the Trustee may amend this Agreement (and the Trustee shall agree to any amendment so requested by the Disclosing Parties so long as such amendment is not materially adverse to the Trustee), and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, acceptable to the Disclosing Parties and the Trustee, to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof, but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Default.

(a) In the event of a failure of the Disclosing Parties or the Trustee to comply with any provision of this Agreement, the Trustee may (and, at the request of any Underwriter or the Beneficial Owners of at least 25 percent aggregate principal amount of Outstanding Bonds, shall), or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Disclosing Parties or the Trustee, as the case may be, to comply with its obligations under this Agreement.

(b) Notwithstanding the provisions of Subsection 9(a), no Beneficial Owner shall have any right to take any action to challenge the adequacy of the information provided in accordance with this Agreement unless the Beneficial Owners of at least 25 percent aggregate principal amount of Outstanding Bonds shall have made written request to the Trustee to take such action in its own name and shall have offered the Trustee reasonable indemnity, and the Trustee for 60 days after its receipt of notice, request, and offer of indemnity has failed to institute any such action.

(c) A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the Disclosing Parties or the Trustee to comply with this Agreement shall be an action to compel performance.

Section 10. Duties, Immunities and Liabilities of Trustee. The Trustee shall have only such duties as are specifically set forth in this Agreement, and the Disclosing Parties agree to indemnify and save the Trustee, its officers, directors, employees, and agents, harmless against any loss, expense, and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's gross negligence or willful misconduct. The obligations of the Disclosing Parties under this Section shall survive resignation or removal of the Trustee and payment of the Bonds.

Section 11. Beneficiaries. This Agreement shall inure solely to the benefit of the Disclosing Parties, the Trustee, the Underwriter and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 12. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature pages follow]

Dated this 23rd day of August, 2018.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

By: _____
Aaron Burkes, President

DEPARTMENT OF COMMUNITY CORRECTION

By: _____
Name: _____
Title: _____

U.S. BANK NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

EXHIBIT A

ANNUAL DISCLOSURE STATEMENT

Name of Issuer: Arkansas Development Finance Authority
Name of Obligated Party: Department of Community Correction
Name of Bond Issue: \$17,795,000 Arkansas Development Finance Authority State Agencies Facilities Revenue Bonds (Department of Community Correction Project) Series 2018, dated August 23, 2018
Filing Date: _____
CUSIP Nos: _____

Part I

If prepared and available, the Department's Internal Control and Compliance Assessment for the most recent fiscal year available. See Section 4(a)(i) of the Continuing Disclosure Agreement dated August 23, 2018.

The Department's Audit or Financial Audit for the fiscal year ended June 30, 20__ [is attached hereto and made a part hereof] [has not been provided to the Department as of the date of this filing].

Part II

If prepared and available, the Comprehensive Annual Financial Report (CAFR) of the State of Arkansas for the most recent fiscal year available. See Section 4(1)(ii) of the Continuing Disclosure Agreement dated August 23, 2018.

The Comprehensive Annual Financial Report (CAFR) of the State of Arkansas for the fiscal year ended June 30, 20__ [is attached hereto and made a part hereof] [has not been provided to the Disclosing Parties as of the date of this filing].

Part III

As of the date of this filing, the rating assigned to the Bonds by Standard & Poor's Corporation is _____. [See Section 5 of the Continuing Disclosure Agreement dated August 23, 2018. Is the Authority, the Department, or the Trustee aware of any item listed in Section 5 for which a Listed Event Notice should be filed that has not been filed? If yes, describe here, or alternatively, make necessary filing.]

EXHIBIT B
NOTICE OF FAILURE TO FILE
ANNUAL DISCLOSURE STATEMENT

Name of Issuer: Arkansas Development Finance Authority
Name of Obligated Party: Department of Community Correction
Name of Bond Issue: \$17,795,000 Arkansas Development Finance Authority State Agencies Facilities
Revenue Bonds (Department of Community Correction Project) Series 2018
Dated Date: August 23, 2018

NOTICE IS HEREBY GIVEN that the Disclosing Parties have not provided an Annual Disclosure Statement with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of August 23, 2018 between the Disclosing Parties and U.S. Bank National Association, as Trustee. [The Disclosing Parties anticipate that the Annual Disclosure Statement will be filed by _____.]

Dated:

U.S. Bank National Association

cc: Arkansas Development Finance Authority
900 West Capitol Avenue, Suite 310
Little Rock, Arkansas 72201
Attn: Vice President for Development Finance