

NEW ISSUE

RATING: Moody's Investors Service "A1"
(See "BOND RATING" herein)

(BOOK-ENTRY ONLY)

*In the opinion of Bond Counsel, under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes; (ii) interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018; (iii) interest on the Bonds is exempt from State of Arkansas income tax; and, (iv) the Bonds are not subject to property taxes in the State of Arkansas. (see **LEGAL MATTERS**, Legal Opinion).*

\$20,270,000
CITY OF LONOKE, ARKANSAS
SALES AND USE TAX BONDS
SERIES 2018

Dated: Date of Delivery

Due: as shown below

[Maturity Schedule included on inside cover page]

The Bonds are not general obligations of the City. The Bonds are special obligations payable solely from collections from a 1.25% sales and use tax (the "Bond Sales and Use Tax") and 0.25% sales and use tax (the "Continuing Sales and Use Tax," and together with the Bond Sales and Use Tax, the "Taxes") levied by the City. See THE TAXES and THE BONDS, Security. The Taxes are levied under Ordinance No. 726 and Ordinance No. 728, respectively, of the City adopted August 14, 2017 (the "Tax Ordinances"). The issuance of the Bonds and the pledging of the Taxes to the payment of the principal of and interest on the Bonds was approved at the special election held November 14, 2017. The Bonds are being issued pursuant to and in full compliance with Title 26, Chapter 75, Subchapter 2 of the Arkansas Code of 1987 Annotated, and Title 14, Chapter 164, Subchapter 3 of the Arkansas Code Annotated (together, the "Authorizing Legislation"), Amendment 62 to the Constitution of the State of Arkansas ("Amendment 62"), and Ordinance No. 735 of the City, adopted on March 12, 2018 (the "Authorizing Ordinance"). See THE AUTHORIZING ORDINANCE.

The Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, 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 the denominations of \$5,000 or any integral multiple thereof. Individual purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of bond certificates.

Interest on the Bonds is payable semiannually on June 1 and December 1, commencing December 1, 2018. All such interest payments shall be payable to the person in whose name such Bonds are registered on the bond registration books maintained by Simmons Bank, as Trustee (the "Trustee"). Disbursement of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of DTC participants or indirect participants, as more fully described herein.

The Bonds mature, bear interest and are priced to yield as shown on the inside cover of this Official Statement. The Bonds are subject to redemption prior to maturity as is more fully described in **REDEMPTION** herein.

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

Dated March 20, 2018.

Stephens Inc.

MATURITY SCHEDULE

\$20,270,000
CITY OF LONOKE, ARKANSAS
SALES AND USE TAX BONDS
SERIES 2018

\$3,235,000 Serial Bonds

BASE CUSIP: 54336R

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate (%)</u>	<u>Yield (%)</u>	<u>CUSIP**</u>
2019	\$ 205,000.00	2.000%	1.600%	54336R BU5
2020	385,000.00	3.000%	1.750%	54336R BV3
2021	400,000.00	3.000%	1.950%	54336R BW1
2022	410,000.00	4.000%	2.150%	54336R BX9
2023	425,000.00	5.000%	2.350%	54336R BY7
2024	445,000.00	5.000%	2.500%	54336R BZ4
2025	470,000.00	5.000%	2.650%	54336R CA8
2026	495,000.00	4.000%	2.800%*	54336R CB6

\$17,035,000 Term Bonds

\$1,050,000 4.000% Term Bonds due June 1, 2028, to Yield 3.000%*, CUSIP 54336R CC4

\$1,125,000 3.000% Term Bonds due June 1, 2030, to Yield 3.150%, CUSIP 54336R CD2

\$1,200,000 4.000% Term Bonds due June 1, 2032, to Yield 3.300%*, CUSIP 54336R CE0

\$1,295,000 4.000% Term Bonds due June 1, 2034, to Yield 3.450%*, CUSIP 54336R CF7

\$1,405,000 3.500% Term Bonds due June 1, 2036, to Yield 3.650%, CUSIP 54336R CG5

\$2,295,000 4.000% Term Bonds due June 1, 2039, to Yield 3.740%*, CUSIP 54336R CH3

\$2,580,000 3.625% Term Bonds due June 1, 2042, to Yield 3.810%, CUSIP 54336R CJ9

\$3,905,000 3.750% Term Bonds due June 1, 2046, to Yield 3.900%, CUSIP 54336R CK6

\$2,180,000 3.875% Term Bonds due June 1, 2048, to Yield 3.875%, CUSIP 54336R CL4

* Yield to first optional redemption date, June 1, 2025.

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No dealer, broker, salesman, or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than 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 a solicitation of an offer to buy nor shall there be any offer, solicitation, or sale of the Bonds by or to any person in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale.

The information set forth herein under the captions “The City and the County” and “The Bonds – Purposes for Bonds” has been furnished by the City, except where otherwise noted. All other information set forth herein has been obtained from the City or from sources other than the City 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 City 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 have the Authorizing Ordinance or 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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CITY OF LONOKE, ARKANSAS

Mayor and Council

Wayne McGee, Mayor
Koy Butler
Janie Darning
Norman Evans
Michael Florence
Raymond Hatton
Pat Howell
Efrem Jones
Wendell Walker

City Clerk

Jeri Edwards

Treasurer

Phillip Howell

City Attorney

Ginger Stuart

Bond Counsel

Wright, Lindsey & Jennings LLP
Little Rock, Arkansas

Underwriter

Stephens Inc.
Little Rock, Arkansas

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OFFICIAL STATEMENT

\$20,270,000
CITY OF LONOKE, ARKANSAS
SALES AND USE TAX BONDS
SERIES 2018

INTRODUCTION TO OFFICIAL STATEMENT

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

This Official Statement of the City of Lonoke, Arkansas (the “City”) is furnished in connection with the offering by the City of its \$20,270,000 principal amount of Sales and Use Tax Bonds, Series 2018 (the “Bonds”). The Bonds are being issued for the purpose of (i) financing various capital improvements (the Improvements”) for the City, (ii) funding a debt service reserve, and (iii) paying the costs of issuance of the Bonds. See THE BONDS, Purposes for Bonds.

The City is a city of the first class duly organized under the laws of the State of Arkansas (the “State”) and is located in central Arkansas. The City is authorized under and Title 26, Chapter 75, Subchapter 2 of the Arkansas Code of 1987 Annotated, and Title 14, Chapter 164, Subchapter 3 of the Arkansas Code Annotated (together, the “Authorizing Legislation”), Amendment 62 to the Constitution of the State of Arkansas (“Amendment 62”), (the “Authorizing Legislation”) to issue capital improvement bonds and to expend the proceeds thereof for the intended purposes. See THE CITY AND THE COUNTY.

The Bonds are not general obligations of the City. The Bonds are special obligations payable solely from collections from a 1.25% sales and use tax (the “Bond Sales and Use Tax”) and 0.25% sales and use tax (the “Continuing Sales and Use Tax,” and together with the Bond Sales and Use Tax, the “Taxes”) levied by the City. See THE TAXES and THE BONDS, Security. The Taxes are levied under Ordinance No. 726 and Ordinance No. 728, respectively, of the City adopted August 14, 2017 (the “Tax Ordinances”). The issuance of the Bonds and the pledging of the Taxes to the payment of the principal of and interest on the respective Bonds was approved at the special election held November 14, 2017. The Bonds are being issued pursuant to and in full compliance with Amendment 62, the Authorizing Legislation and Ordinance No. 735 of the City, adopted on March 12, 2018 (the “Authorizing Ordinance”). See THE AUTHORIZING ORDINANCE.

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

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or an integral multiple thereof. Interest is payable December 1, 2018, and semiannually thereafter on each June 1 and December 1. Unless the Bonds are in book-entry form, payment of principal of the Bonds will be made to the owners of the Bonds at the

principal office of Simmons Bank, Little Rock, Arkansas, as trustee and paying agent for the Bonds (the “Trustee”). Interest is payable by check mailed by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See THE BONDS, Generally, and Book-Entry Only System.

Mandatory Sinking Fund Redemption. The Bonds maturing on June 1 in the years 2028, 2030, 2032, 2034, 2036, 2039, 2042, 2046, and 2048 are subject to mandatory sinking fund redemption as described herein.

Extraordinary Redemption. The Bonds are subject to extraordinary redemption from proceeds of the Bonds not needed for the purposes intended and Surplus Tax Receipts (as hereinafter defined).

Optional Redemption. The Bonds are subject to optional redemption on and after June 1, 2025.

The Trustee shall give at least thirty (30) days’ notice of redemption (other than pursuant to mandatory sinking fund redemption. See THE BONDS, Redemption.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excludable from gross income for federal income tax purposes; (ii) interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018; and (iii) the Bonds and interest thereon are exempt from all State, county and municipal taxes. See LEGAL MATTERS, Tax Exemption.

It is expected that the Bonds will be available for delivery on or about April 24, 2018, through the facilities of the Depository Trust Company in New York, New York.

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

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

THE BONDS

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 effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent to 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 City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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 City or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 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 City 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 Authorizing Ordinance, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Authorizing Ordinance. The City and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (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 Authorizing Ordinance 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.

Generally. The Bonds are dated, mature, and bear interest as set forth on the cover page hereof. The principal of the Bonds is payable upon presentation and surrender at the principal office of the Trustee. Payment of interest on the Bonds will be made to each registered owner thereof by check or draft mailed by the Trustee to such owner at his address as such name and address appear on the registration book of the City kept by the Trustee on the record date which is the fifteenth day of the calendar month next preceding the calendar month in which such interest payment date falls. All such payments will be made in lawful money of the United States of America.

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

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

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

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

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Redemption. *The Bonds.* The Bonds are subject to extraordinary, optional, and mandatory sinking fund redemption prior to maturity as follows:

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

“Surplus Tax Receipts” are collections of the Bond Sales and Use Tax in excess of the amount necessary to (i) insure the prompt payment of the principal of, interest on, and Trustee’s fees and expenses and other administrative charges in connection with the Bonds; (ii) maintain the debt service reserve in the required amount (except when the Policy is in place); and (iii) pay any arbitrage rebate due under Section 148(f) of the Internal Revenue Code of 1986, as amended (the “Code”).

(2) Optional Redemption. The Bonds are subject to redemption at the option of the City, from funds from any source, on and after June 1, 2025, in whole or in part at any time, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

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(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on June 1 in the years 2028, 2030, 2032, 2034, 2036, 2039, 2042, 2046, and 2048 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on June 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Bonds Maturing June 1, 2028

<u>Year</u>	<u>Principal Amount</u>
2027	\$ 515,000.00
2028 (maturity)	535,000.00

Bonds Maturing June 1, 2030

<u>Year</u>	<u>Principal Amount</u>
2029	\$ 555,000.00
2030 (maturity)	570,000.00

Bonds Maturing June 1, 2032

<u>Year</u>	<u>Principal Amount</u>
2031	\$ 590,000.00
2032 (maturity)	610,000.00

Bonds Maturing June 1, 2034

<u>Year</u>	<u>Principal Amount</u>
2033	\$ 635,000.00
2034 (maturity)	660,000.00

Bonds Maturing June 1, 2036

<u>Year</u>	<u>Principal Amount</u>
2035	\$ 690,000.00
2036 (maturity)	715,000.00

Bonds Maturing June 1, 2039

<u>Year</u>	<u>Principal Amount</u>
2037	\$ 735,000.00
2038	765,000.00
2039 (maturity)	795,000.00

Bonds Maturing June 1, 2042

<u>Year</u>	<u>Principal Amount</u>
2040	\$ 830,000.00
2041	860,000.00
2042 (maturity)	890,000.00

Bonds Maturing June 1, 2046

<u>Year</u>	<u>Principal Amount</u>
2043	\$ 925,000.00
2044	955,000.00
2045	995,000.00
2046 (maturity)	1,030,000.00

Bonds Maturing June 1, 2048

<u>Year</u>	<u>Principal Amount</u>
2047	\$1,070,000.00
2048 (maturity)	1,110,000.00

In the case of any redemption of Bonds prior to maturity, the Trustee shall mail or send via other standard means, including electronic or facsimile communication, a copy of the redemption notice to the registered owners of the Bonds to be redeemed, in each case not less than thirty (30) nor more than sixty (60) days prior to the date of redemption. After the date for redemption no further interest shall accrue on any Bond called for redemption if funds for redemption of such Bond have been deposited with the Trustee as provided in the Authorizing Ordinance.

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

Otherwise, any selection of Bonds by lot shall be effected by the Trustee, by any method chosen by the Trustee in its discretion.

Purposes for Bonds. At the special election held November 14, 2017, there was approved the issuance of the Bonds in the maximum aggregate principal amount of not to exceed \$20,900,000 for improvements, betterments, and extensions to the waterworks and sewage systems of the City, including, but not limited to, the design, engineering, acquisition, construction, repairs, and equipping of water and sewage treatment facilities, sand blasting, coating and painting of the water clarifier, a new top for the clarifier, water mains and distribution lines, sewage collection lines, new meters, meter boxes and meter setters, as necessary, new cellular read meters, valves, and acquisition of necessary right of way, and as necessary, reconstruction of streets, draining facilities, and other public facilities related thereto (collectively, the "Improvements"); to fund a debt service reserve; and to pay the costs of issuance related thereto:

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The proceeds of the Bonds are estimated to be expended by the City as follows:

SOURCES

Par Amount of Bonds	\$20,270,000.00
Reoffering Premium	260,038.45
Total Sources	\$20,530,038.45

USES

Deposit to Project Fund	\$20,170,000.00
Cost of Issuance (including Underwriter's Discount)	359,375.00
Rounding Amount	663.45
Total Uses	\$20,530,038.45

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

Security. The Bonds are not general obligations of the City. The Bonds are special obligations payable solely from collections from the 1.25% Bond Sales and Use Tax and the 0.25% Continuing Sales and Use Tax levied by the City. Tax receipts must be used solely to pay the principal of and interest, Trustee's fees and expenses and other administrative charges, and any arbitrage rebate due under Section 148(f) of the Code with respect to the Bonds. Collections of the Continuing Sales and Use Tax not needed to (i) insure the prompt payment of the principal of, interest on, and Trustee's fees and expenses and other administrative charges in connection with the Bonds; (ii) maintain the debt service reserve in the required amount; and (iii) pay any arbitrage rebate due under Section 148(f) of the Code, shall be released to the City and applied to provide financial support for the operation of the City Police and Fire Departments. The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see THE AUTHORIZING ORDINANCE.

The City covenants that it will not issue any additional bonds, or incur any additional obligation, secured by a lien on or pledge of the Taxes, other than refunding bonds.

A debt service reserve will be maintained in the Debt Service Reserve Fund in an amount equal to lesser of (i) five percent (5%) of the initial principal amount of the Bonds or (ii) fifty percent (50%) of the maximum annual debt service requirement on the Bonds (based on a year ending June 1) (except when the Policy is in place). The Debt Service Reserve Fund

will be initially funded by the deposit of a Municipal Bond Debt Service Reserve Insurance Policy issued by Build America Mutual Assurance Company (“BAM”). Build America Mutual Assurance Company, a mutual insurance corporation organized under the laws of, and domiciled in, the State of New York (the “Reserve Insurer”), has committed to issue its Municipal Bond Debt Service Reserve Insurance Policy (the “Policy”). The Policy is issued pursuant to a Debt Service Reserve Agreement, and the Policy constitutes an instrument eligible for deposit to the Debt Service Reserve Fund. See THE AUTHORIZING ORDINANCE, Debt Service Reserve Fund.

THE CITY AND THE COUNTY

General. The City is organized under the laws of the State of Arkansas as a city of the first class. The City is located in the central part of the State, approximately twenty-seven miles east of Little Rock. The City is the county seat of Lonoke County, and the City has a population of approximately 4,000. The City has an agriculturally based economy, and is served by Interstate 40, U.S. Highway 70, State Highways 31, 38, 165, 236, and 321. Interstate 40 between Little Rock and Memphis is part of high priority corridor 55: Dallas to Memphis via Little Rock. Interstate 40 runs through the north boundaries of the city, which is located approximately 110 miles west of Memphis, Tennessee.

Governmental Organization. The City operates under the Mayor/City Council form of municipal government. It has an eight-member City Council, with the Mayor being elected at large and City Council members being elected by wards.

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The current members of the City of Lonoke City Council are as follows:

<u>Name</u>	<u>Term Expiration</u>	<u>Office</u>
Wayne McGee	December 31, 2018	Mayor
Jerri Edwards	December 31, 2018	City Clerk
Phillip Howell	December 31, 2018	Treasurer
Koy Butler	December 31, 2018	Council Member
Janie Dering	December 31, 2018	Council Member
Norman Evans	December 31, 2018	Council Member
Michael Florence	December 31, 2018	Council Member
Raymond Hatton	December 31, 2018	Council Member
Pat Howell	December 31, 2018	Council Member
Efrem Jones	December 31, 2018	Council Member
Wendell Walker	December 31, 2018	Council Member

The principal executive officers of the City include:

Mayor	Wayne McGee
City Clerk	Jeri Edwards
Treasurer	Phillip Howell
City Attorney	Ginger Stuart
Director of Public Works	Jim Kelley
Street Superintendent	Jim Ed Ransom

The City provides a range of municipal services including Police, Volunteer Fire, Public Works, and Water Department.

Following are selected indices and financial information for the City and for Lonoke County:

Land Use/Population. Population of the City and the County since 1990 is indicated below:

<u>Year</u>	<u>City</u>	<u>County</u>
1990	4,022	39,268
2000	4,287	52,828
2010	4,245	68,356
2016	4,237	72,228

Sources: University of Arkansas at Little Rock, Arkansas Economic Development Institute citing the U.S. Census Bureau, 1990 Census Summary Tape File 1; Census 2000 Summary File 1; 2010 Census; Population Division.

The land area of the County is approximately 770.73 square miles.

Source: U.S. Bureau of the Census (Population, Housing Units, Area and Density for Counties).

Income. Annual per capita income for Lonoke County since 2012 is as follows:

<u>Year</u>	<u>Per Capita Income*</u>
2012	\$34,259
2013	\$34,741
2014	\$35,041
2015	\$35,942
2016	\$36,742

Source: University of Arkansas at Little Rock, Arkansas Economic Development Institute citing the Bureau of Economic Analysis (www.bea.gov, downloaded 1/29/18).

*Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2016 reflect county population estimates available as of March 2017.

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

<u>Year</u>	<u>Civilian Labor Force</u>			<u>Number Employed</u>		
	<u>County</u>	<u>AR</u> (in thousands)	<u>US</u> (in thousands)	<u>County</u>	<u>AR</u> (in thousands)	<u>US</u> (in thousands)
2010	33,287	1,357	153,889	31,036	1,242	139,064
2011	33,448	1,370	153,617	31,123	1,248	139,869
2012	33,083	1,405	154,975	30,982	1,241	142,220
2013	32,439	1,308	155,389	30,437	1,212	143,929
2014	32,408	1,303	155,922	30,737	1,224	146,305
2015	33,008	1,333	157,130	31,618	1,265	148,834
2016	33,267	1,343	159,187	32,147	1,289	151,436

Source: University of Arkansas at Little Rock, Arkansas Economic Development Institute citing the Bureau of Labor Statistics.

The annual average unemployment rates for the County, the State and the United States since 2010 are as follows:

<u>Unemployment Rate %</u>			
<u>Year</u>	<u>County</u>	<u>AR</u>	<u>US</u>
2010	6.8	8.2	9.6
2011	7.0	8.3	8.9
2012	6.4	7.6	8.1
2013	6.2	7.3	7.4
2014	5.2	6.1	6.2
2015	4.2	5.1	5.3
2016	3.4	4.0	4.9

Source: University of Arkansas at Little Rock, Arkansas Economic Development Institute citing the Bureau of Labor Statistics.

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

Commercial Construction
and Residential Construction

<u>Year</u>	<u>Number of Permits</u>	<u>Value*</u>
2010	45	\$16,563,263
2011	41	3,382,406
2012	40	11,391,077
2013	56	7,526,469
2014	58	3,872,066
2015	37	1,633,384
2016	61	6,522,955
2017	51	2,863,879

Source: City of Lonoke Office of City Clerk.

*Values are estimates.

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

<u>Year</u>	<u>Total Bank Deposits (in thousands)</u>
2009	\$423,915
2010	\$415,657
2011	\$402,515
2012	\$439,763
2013	\$420,790
2014	\$429,302
2015	\$465,781
2016	\$465,115
2017	\$477,779

Source: Arkansas State Bank Commission.

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Major Employers. The principal industries, commercial or governmental entities, or other major employers within the boundaries of the City are as follows:

<u>Company</u>	<u>Business or Product</u>	<u>Number of Employees</u>
Riceland Foods	Grain Drying	10+
MKT Fastening LLC	Construction Anchors & Fasteners	25+
Walmart	Retail	120+
Lonoke School District	Public Education	260+
Remington Outdoor Company*	Ammunition	1300+

Source: City of Lonoke.

*On February 12, 2018, Remington Outdoor Company announced that it plans to file a joint plan of reorganization with certain of its creditors under Chapter 11 of the U.S. Bankruptcy Code. As of the date of this Official Statement the filing had not occurred.

School Enrollment. Public school enrollment in the Lonoke School District, within whose boundaries the City is located, has been as follows:

<u>School Year</u>	<u>Enrollment</u>
2013-2014	1,795
2014-2015	1,754
2015-2016	1,748
2016-2017	1,745
2017-2018	1,784

Source: Arkansas Department of Education.

City Employees. The City of Lonoke does not participate in collective bargaining with organized labor. The City Fire Department is an all-volunteer department. Justin Whittenburg is the Fire Chief.

As of December 31, 2017, the City employment was as follows:

City Government	Total	Full Time	Part Time
	64	43	21

Source: City of Lonoke, Office of City Clerk.

THE TAXES

Generally. Pursuant to the Authorizing Legislation, the City has levied the Taxes pursuant to the Tax Ordinances. The Taxes are each a tax within the City on all items which are subject to taxation under The Arkansas Gross Receipts Act of 1941 (as amended) and a tax on the receipts from storing, distributing, using or consuming tangible personal property under The Arkansas Compensating Tax Act of 1949 (as amended). Pursuant to the Authorizing Ordinance, the City has pledged the receipts from collections of the Taxes to the payment of the Bonds. The Taxes were approved at the special election held November 14, 2017.

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

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

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

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

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Adjusted Historical Tax Collections. The City's actual sales and use tax collections for calendar years 2011 through September 2017 were for sales and use taxes at the total rate of 2.00%, and thereafter the rate is 1.50% until the collection of the Taxes commences on April 1, 2018. Actual collections have been adjusted to show what collections at the rate of 1.50% would have been in each of these years, as follows:

<u>Calendar Year</u>	<u>1.25%</u>	<u>0.25%</u>	<u>Total</u>	<u>Annual Growth</u>
2011	\$ 986,585	\$197,317	\$1,183,902	N/A
2012	\$1,020,632	\$204,126	\$1,224,758	3.5%
2013	\$1,051,937	\$210,387	\$1,262,324	3.1%
2014	\$1,047,156	\$209,431	\$1,256,588	-0.5%
2015	\$1,106,081	\$221,216	\$1,327,297	5.6%
2016	\$1,113,345	\$222,669	\$1,336,014	0.7%
2017	\$1,204,594	\$240,919	\$1,445,513	8.2%

Source: Treasurer of State of Arkansas.

Future Tax Receipts. Tax receipts will be contingent upon the sale and use of property and services within the City, which activity is generally dependent upon economic conditions within the City. Also, Tax receipts may be affected by changes to transactions exempted from the Taxes made by legislation adopted by the General Assembly of the State or by the people of the State in the form of a constitutional amendment or initiated act. In the past the General Assembly of the State has considered new exemptions to the Taxes, such as food sales, which, if adopted, would materially reduce Tax receipts. The City has no control over actions of the General Assembly or the people of the State and cannot predict whether changes to the Taxes may be made. Accordingly, the City cannot predict with certainty the expected amount of Tax receipts to be received and, therefore, there can be no assurance that Tax receipts will be sufficient to pay the principal of and interest on the Bonds.

THE AUTHORIZING ORDINANCE

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

Funds and Accounts. Receipts of the Bond Sales and Use Tax and the Continuing Sales and Use Tax are pledged by the Authorizing Ordinance to the payment of the principal of and interest on the Bonds. The following Funds and Accounts shall be established with the Trustee in connection with the Bonds (a) Revenue Fund, and a Bond Sales and Use Tax Account established therein and a Continuing Sales and Use Tax Account established therein; (b) Bond Fund; (c) Debt Service Reserve Fund; (d) Project Fund; (e) Cost of Issuance Fund; and (f) Rebate Fund.

Application of Sales and Use Tax.

(a) Revenue Fund. All receipts of the Bond Sales and Use Tax and Continuing Sales and Use Tax shall, as and when received, be deposited into the corresponding Account

of the Revenue Fund. All moneys at any time in the Bond Sales and Use Tax Account of the Revenue Fund shall be applied on a monthly basis to the payment of Debt Service on the Bonds, to the maintenance of the Debt Service Reserve Fund (except when the Policy is in place), to the payment of any arbitrage rebate under Section 148(f) of the Code, to the payment of fees and expenses of the Trustee and any Paying Agent, and to the early redemption of the Bonds, at the times and in the amounts set forth below. Following said monthly transfers from the Bond Sales and Use Tax Account of the Revenue Fund, to the extent there exists a deficiency in the Bond Fund, Debt Service Reserve Fund, or Rebate Fund, or to the extent fees and expenses are due and owing to the Trustee or any Paying Agent, there shall immediately be transferred amounts sufficient to remedy said deficits in the following order of priority, (i) FIRST, from the Redemption Account of the Bond Fund (but only to the extent not needed to pay principal pursuant to redemptions for which notice has been delivered), and (ii) SECOND, from the Continuing Sales and Use Tax Account of the Revenue Fund. Following such monthly transfers from the Continuing Sales and Use Tax Account of the Revenue Fund or a determination that no such transfers are required, all remaining amounts in the Continuing Sales and Use Tax Account of the Revenue Fund shall be transferred by the Trustee to or at the direction of the City and may be expended to provide financial support for the operation of the City Police and Fire Departments.

(b) Bond Fund. Upon receipt, but in no event later than the last day of each month in which receipts of the Bond Sales and Use Tax and the Continuing Sales and Use Tax are deposited in the Revenue Fund, there shall be transferred from the Revenue Fund into the Bond Fund (i) an amount equal to 1/6 of the interest on the Bonds due on the next interest payment date, and (ii) an amount equal to 1/12 of the principal of the Bonds due on the next principal date. Moneys in the Bond Fund shall be used solely for the purpose of paying annual debt service on the Bonds or for redemption of the Bonds, as provided in the Authorizing Ordinance. The Trustee shall withdraw from the Bond Fund, on the date of any principal or interest payment, an amount equal to such payment for the sole purpose of paying the same.

There shall be established and maintained in the Bond Fund a Redemption Account into which shall be deposited, monthly, all funds in the Bond Sales and Use Tax Account in the Revenue Fund available for the redemption of the Bonds arising from Surplus Tax Receipts and transfers from the Project Fund, if any. Moneys in the Redemption Account shall be used to redeem the Bonds prior to maturity.

If the amounts in the Bond Sales and Use Tax Account of the Revenue Fund are insufficient to make the required payment into the Bond Fund, the amount of any such deficiency in the payment made shall be added to the amount otherwise required to be paid into the Bond Fund not later than the last day of the next succeeding month.

When the moneys held in the Bond Sales and Use Tax Account of the Revenue Fund, the Bond Fund, and the Debt Service Reserve Fund (except when the Policy is in place) shall be and remain sufficient to pay in full the principal of and interest on all Bonds then outstanding in accordance with the Authorizing Ordinance, together with the required fees and expenses to be paid or reimbursed to the Trustee and any Paying Agent, the City shall have no further obligation to make payments into such Funds and the levy of the Bond Sales and Use Tax shall cease.

(c) Debt Service Reserve Fund. There shall be deposited into the Debt Service Reserve Fund an amount equal to the lesser of (i) five percent (5%) of the initial principal amount of the Bonds or (ii) fifty percent (50%) of the maximum annual debt service with respect to the Bonds (the "Reserve Requirement") (except when the Policy is in place). Amounts on deposit in the Debt Service Reserve Fund shall be used solely to pay the principal of and interest on the Bonds as due for which there are no available funds in the Bond Fund to make such payments. The Reserve Requirement may be satisfied by cash, Government Securities, or a surety bond or debt service reserve insurance policy. The Debt Service Reserve Fund will be initially funded by the deposit of a Municipal Bond Debt Service Reserve Insurance Policy (the "Policy") issued by Build America Mutual Assurance Company ("BAM") in the amount that satisfies the Reserve Requirement.

If on the last Business Day preceding any principal or interest payment date for the Bonds, after the deposit of moneys required by the Authorizing Ordinance, the amount in the Bond Fund shall be less than the amounts due and payable on the Bonds on such principal or interest payment date, the Trustee shall apply amounts from the Debt Service Reserve Fund to the extent necessary to make good the deficiency; and to the extent those moneys and investments are not sufficient to eliminate the deficiency in the Bond Fund and the Policy is in effect for the Bonds, immediately make a demand for payment on the Policy in the amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof in the Bond Fund.

Whenever the moneys on deposit in the Debt Service Reserve Fund, including investment earnings, shall exceed the Reserve Requirement, such excess shall be transferred by the Trustee and deposited into the Bond Fund.

Whenever the amount in the Debt Service Reserve Fund, excluding the Policy coverage amount, together with the amounts in the Bond Fund, is sufficient to pay in full all outstanding Bonds (including principal or applicable sinking fund redemption and interest thereon), the funds on deposit in the Debt Service Reserve Fund shall be transferred to the Bond Fund and no deposits shall be required to be made into the Debt Service Reserve Fund.

In calculating the amount on deposit in the Debt Service Reserve Fund, the amount of the Policy coverage will be treated as an amount on deposit in the Debt Service Reserve Fund. So long as the Bonds are rated by a rating agency, the City may not invest moneys held in the Debt Service Reserve Fund in the Policy without obtaining the prior consent of the Trustee and providing notice of such investment to such rating agency.

No Policy shall be allowed to expire unless and until cash has been deposited into the Debt Service Reserve Fund, or a new policy has been issued in place of the expiring Policy, in an amount or to provide coverage at least equal to the Reserve Requirement.

Except when the Policy is in place, if the amount in the Debt Service Reserve Fund is ever reduced below the Reserve Requirement, it shall be reimbursed to an amount equal to the Reserve Requirement through monthly payments, beginning not later than the last day of the month in which the Debt Service Reserve Fund was reduced below the Reserve Requirement, and continuing not later than the last day of each month thereafter until such reimbursement shall have been accomplished, from any funds in the Revenue Fund (after making the required deposits into the Bond Fund and into the Rebate Fund). Except

when the Policy is in place, if a surplus shall exist in the Debt Service Reserve Fund over and above the Reserve Requirement, such surplus shall be deposited into the Bond Fund.

(d) Rebate Fund. The Trustee shall establish and maintain, separate and apart from any other Funds and Accounts established and maintained herein, the Rebate Fund, which fund is not pledged to the payment of any Bonds. Subject to transfer to the United States in payment of any arbitrage rebate due under Section 148(f) of the Code, all moneys at any time deposited in the Rebate Fund shall be held by the Trustee in trust, and neither the City nor the Owner of any Bond shall have any rights in or claim to such money. Any amounts remaining in the Rebate Fund after payment in full of the rebate amount owing to the United States, within (60) days after the date on which the last Bond is redeemed, shall be transferred to the Revenue Fund.

(e) Project Fund. A portion of the Bonds shall be deposited in the Project Fund. See "SOURCES AND USES" herein. Amounts in the Project Fund shall be expended only for the payment of Project Costs upon submission of requisitions by the City to the Trustee. The Trustee shall only make payments from the Project Fund pursuant to and in accordance with requisitions. Within ninety (90) days following completion of the Project, the City shall deliver to the Trustee its Certificate stating that the Project is complete and the Trustee shall transfer the remaining moneys in the Project Fund (save and except moneys needed to satisfy unpaid Project Costs) to the Bond Fund for the application to the retirement of the Bonds by redemption or purchase.

(f) Cost of Issuance Fund. A portion of the proceeds of the Bonds shall be deposited to the credit of the Cost of Issuance Fund. The Trustee shall pay those Costs of Issuance as directed by the City pursuant to a Certificate delivered on the Closing Date. After all Costs of Issuance have been paid, any remaining moneys in the Cost of Issuance Fund shall be transferred to the Bond Fund.

Investments. (a) Moneys held for the credit of the Project Fund shall be invested and reinvested in Permitted Investments (as hereinafter defined) or other investments permitted by State law, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when such money will be required for the purposes intended. The Trustee shall so invest and reinvest pursuant to the direction of the City and in the Trustee's discretion in the absence of any direct instructions from the City.

(b) Moneys held for the credit of the Debt Service Reserve Fund shall be invested and reinvested in Permitted Investments, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than seven (7) years after the date of investment or the final maturity date of the outstanding Bonds, whichever is earlier. The Trustee shall so invest and reinvest pursuant to the direction of the City and in the Trustee's discretion in the absence of any direct instructions from the City.

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

direction of the City and in the Trustee's discretion in the absence of any direct instructions from the City.

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

(e) "Permitted Investments" are defined as (i) direct or fully guaranteed obligations of the United States of America ("Government Securities"); (ii) direct obligations of an agency, instrumentality, or government-sponsored enterprise created by an act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government; (iii) certificates of deposit or demand deposits of banks, including the Trustee, which are insured by the Federal Deposit Insurance Corporation, or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by State law to secure public funds; or (iv) money market funds invested exclusively in Government Securities and the obligations described in (ii) above.

Certain Covenants. The City covenants that:

(a) It will not take, suffer, or permit any action which may cause the interest payable on the Bonds to be included in gross income for federal income tax purposes, including any use of proceeds of the sale of the Bonds or Tax receipts directly or indirectly in such manner as to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code.

(b) It will not use or permit the use of the improvements constructed with proceeds of the Bonds, or the proceeds of the Bonds, in such manner as to cause the Bonds to be private activity bonds within the meaning of Section 141 of the Code.

(c) It will faithfully and punctually perform all duties with reference to the Taxes and the Bonds, required by the Constitution and laws of the State and by the Authorizing Ordinance, including the collection of Taxes, as therein specified and covenanted, the segregating of the Tax receipts and the applying of the Tax receipts as provided in the Authorizing Ordinance.

(d) It will make any arbitrage rebate payment due the United States under Section 148(f) of the Code from moneys in the applicable Bond Fund.

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

(b) No owner of any Bond shall have any right to institute any suit, action, mandamus, or other proceeding in equity or in law for the protection or enforcement of any right under the Authorizing Ordinance or under the Constitution and laws of the State unless such owner previously shall have given to the Trustee written notice of the default on account of which such suit, action, or proceeding is to be taken, and unless the owners of not less than ten percent (10%) in principal amount of the affected Bonds then outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted by the Constitution and laws of the State, or to institute such action, suit, or proceeding in its name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the cost, expense, and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time, and such notification, request, and offer of indemnity are in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trust of the Authorizing Ordinance or to any other remedy thereunder. No one or more owners of the Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Authorizing Ordinance, or to enforce any right thereunder except in the manner therein provided, that all proceedings at law or in equity shall be instituted, had, and maintained in the manner therein provided and for the benefit of all owners of the outstanding affected Bonds, and any individual rights of action or other right given to one or more of such owners by law are restricted by the Authorizing Ordinance to the rights and remedies therein detailed.

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

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

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

The Trustee may, and upon the written request of the owners of not less than a majority in principal amount of the affected Bonds then outstanding shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action, or proceeding instituted under the provision of the Authorizing Ordinance or before the completion of the enforcement of any other remedy, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

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

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

When all the Bonds shall have been paid within the meaning of the Authorizing Ordinance, if the Trustee has been paid its fees and expenses or provision has been made therefor and if any arbitrage rebate payment has been paid or provision has been made therefor, the Trustee shall take all appropriate action to cause (i) the pledge and lien of the Authorizing Ordinance to be discharged and cancelled, (ii) all moneys held by it pursuant to the Authorizing Ordinance and which are not required for the payment of such Bonds, to be paid over or delivered to or at the direction of the City.

No Additional Bonds. The City covenants that while the Bonds are outstanding it will not issue any additional bonds, or incur any additional obligation, secured by a lien on or pledge of the Tax receipts pledged to such Bonds, other than refunding bonds.

The Trustee. The Trustee shall be responsible for the exercise of good faith and ordinary prudence in the execution of its trusts and duties. The recitals in the Authorizing Ordinance and in the Bonds are the recitals of the City and not of the Trustee. The Trustee shall not be required to take any action unless it shall have been requested to do so in writing by the owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by sixty (60) days' notice in writing to the City and the owners of the Bonds. The majority in principal amount of the owners of the outstanding Bonds or the City, so long as it is not in default under the Authorizing Ordinance, may at any time, with or without cause, remove the Trustee. In the event of a vacancy in the office of Trustee either by resignation or by removal, the City shall forthwith designate a new Trustee. The Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts and duties imposed upon it by the Authorizing Ordinance, but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective owners of the Bonds agree. Such written acceptance shall be filed with the City, and a copy thereof shall be placed in the bond transcript. Any successor Trustee shall have all the powers herein granted to the original Trustee.

Supplemental Ordinances. The terms of the Authorizing Ordinance constitute a contract between the City and the owners of the Bonds and no variation or change in the undertaking set forth in the Authorizing Ordinance shall be made while any of the Bonds are outstanding, except as hereinafter set forth. The owners of not less than seventy-five

percent (75%) in aggregate principal amount of Bonds then outstanding shall have the right, from time to time, to consent to and approve the adoption by the City of a supplemental ordinance as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Authorizing Ordinance or in any supplemental ordinance applicable to the Bonds. The Trustee may consent to any change without the consent of seventy-five percent (75%) of the owners of the aggregate principal amount of Bonds outstanding that the Trustee determines is not to the material prejudice of the owners of the Bonds or in order to cure any ambiguity or formal defect or omission in the Authorizing Ordinance or any amendment thereto, provided, however, that nothing therein contained shall permit or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond issued thereunder, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) the creation of a pledge of Tax receipts superior to or on a parity with the pledge created by the Authorizing Ordinance, or (d) a privilege or priority of any bond or bonds over any other bond or bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

CONTINUING DISCLOSURE AGREEMENT

During the past five (5) years, the City has been obligated to comply with continuing disclosure agreements involving two (2) bond issues. For the Series 2004 Sales and Use Tax Refunding Bonds, the City was required to provide, upon request, financial information or operating data for the City and was required to promptly furnish to the MSRB notice of significant events. For the Series 2003 Water and Sewer Refunding and Improvement Revenue Bonds, the City is required to provide, or cause the trustee as dissemination agent to provide, financial information and operating data to certain information repositories annually, audited financial statements when, and if, available while any bonds are outstanding to certain information repositories, and notices to the Municipal Securities Rulemaking Board of certain material events. While the City has not made any determination as to materiality, the following summarizes a non-exhaustive discussion of the City's compliance with its continuing disclosure obligation over the past five (5) years.

For the Series 2004 Sales and Use Tax Refunding Bonds, the City provided upon request of any person the financial information or operating data for 2012 through 2017. The City failed to furnish several notices concerning various bond calls of its bonds from surplus tax collections in years 2013 through 2014. The annual financial information and operating data is not yet due for the 2017 fiscal year. The Series 2004 Sales and Use Tax Refunding Bonds were redeemed in 2017.

For the Series 2003 Water and Sewer Refunding and Improvement Revenue Bonds, the City is required to provide, or cause the trustee as dissemination agent to provide, annual financial information and operating data concerning the operations and revenues of the City, no later than one-hundred twenty (120) days after the end of the City's fiscal year commencing on December 31, 2003, to certain information repositories. Additionally, the City is required to provide, or cause the trustee as dissemination agent to provide, audited financial statements when, and if, available while any bonds are outstanding to certain information repositories. The City consistently failed to timely file the annual financial information and operating data for the fiscal years 2012 through 2016. The City untimely

filed the annual financial information seventy-two (72) days late for the 2012 fiscal year, three hundred seven (307) days late for the 2013 fiscal year, ninety (90) days late for the 2014 fiscal year, seventy-five (75) days late for the 2015 fiscal year, and sixty-one (61) days late for the 2016 fiscal year. The annual financial information and operating data is not yet due for the 2017 fiscal year. The City untimely filed the audited financial statements of the City six (6) days late for the 2012 fiscal year, two hundred twenty-nine (229) days late for the 2013 fiscal year, nineteen (19) days late for the 2014 fiscal year, eight (8) days late for the 2015 fiscal year, and eight (8) days late for the 2016 fiscal year.

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

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

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

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

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

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

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

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

“Listed Events” shall mean any of the events listed hereunder.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than June 30 of each year commencing in 2019, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.ernma.msrb.org> or any similar system acceptable to the Securities and

Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the City. If the City's fiscal year changes, it shall give notice of such change in the manner as for a Listed Event.

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

(c) If the Trustee is unable to verify that an Annual Report (containing the information set forth in 1 through 3 under Content of Annual Reports, below) has been provided to the MSRB by the date required in subsection (a), the shall contact the City to dete shall file a notice to the MSRB.

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

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

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

2. The annual financial statements of the general fund of the City, which shall not be audited in accordance with auditing standards generally accepted in the United States of America. Such financial statements shall be prepared using accounting principles prescribed by Arkansas Code Annotated Section 10-4-412, as it may be amended from time to time, or any successor statute.

3. In the event the audited financial statements are not available at the time of the filing of the Annual Report, unaudited financial statements of the City's general fund will be filed with the MSRB.

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have

been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Listed Events. (a) This caption describes the giving of notices of the occurrence of any of the following events:

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

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

(c) After the occurrence of a Listed Event (excluding an event described in (a)8 above), whether by notice from the Trustee or otherwise, the City shall file (or shall cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent). Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB

and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)8 above, the City or the Dissemination Agent shall make the filing in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event.

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

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

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

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

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

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

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

the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

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

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

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

DEBT SERVICE COVERAGE

Set forth below is estimated debt service coverage information for the Bonds. In arriving at the estimate of annual Tax receipts for this calculation, the City examined the adjusted historical tax collections for the twelve (12) month period ended December 31, 2017.

Actual Tax receipts collected by the City will depend upon, among other things, the level of retail activity within the City, the economic health of the City and surrounding trade area,

possible future actions by the people of the State or General Assembly of the State defining transactions subject to the Tax and granting exemptions from the Tax, such as exemptions for food sales. The figure set forth below is only an estimate and there can be no assurance that future Tax receipts will equal the estimate shown below. See THE TAX, Future Tax Receipts.

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

Estimated Tax Receipts Available for Debt Service	\$1,445,513.00
Maximum Annual Debt Service	1,156,262.50
Debt Service Coverage	1.25X

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DEBT SERVICE REQUIREMENTS

The following table shows amounts required to pay scheduled principal, mandatory sinking fund redemptions, and interest on the Bonds during each year:

<u>Date</u>	<u>Principal*</u>	<u>Interest</u>	<u>Total Debt Service</u>
06/01/2019	\$ 205,000.00	\$ 851,137.67	\$ 1,056,137.67
06/01/2020	385,000.00	767,712.50	1,152,712.50
06/01/2021	400,000.00	756,162.50	1,156,162.50
06/01/2022	410,000.00	744,162.50	1,154,162.50
06/01/2023	425,000.00	727,762.50	1,152,762.50
06/01/2024	445,000.00	706,512.50	1,151,512.50
06/01/2025	470,000.00	684,262.50	1,154,262.50
06/01/2026	495,000.00	660,762.50	1,155,762.50
06/01/2027	515,000.00	640,962.50	1,155,962.50
06/01/2028	535,000.00	620,362.50	1,155,362.50
06/01/2029	555,000.00	598,962.50	1,153,962.50
06/01/2030	570,000.00	582,312.50	1,152,312.50
06/01/2031	590,000.00	565,212.50	1,155,212.50
06/01/2032	610,000.00	541,612.50	1,151,612.50
06/01/2033	635,000.00	517,212.50	1,152,212.50
06/01/2034	660,000.00	491,812.50	1,151,812.50
06/01/2035	690,000.00	465,412.50	1,155,412.50
06/01/2036	715,000.00	441,262.50	1,156,262.50
06/01/2037	735,000.00	416,237.50	1,151,237.50
06/01/2038	765,000.00	386,837.50	1,151,837.50
06/01/2039	795,000.00	356,237.50	1,151,237.50
06/01/2040	830,000.00	324,437.50	1,154,437.50
06/01/2041	860,000.00	294,350.00	1,154,350.00
06/01/2042	890,000.00	263,175.00	1,153,175.00
06/01/2043	925,000.00	230,912.50	1,155,912.50
06/01/2044	955,000.00	196,225.00	1,151,225.00
06/01/2045	995,000.00	160,412.50	1,155,412.50
06/01/2046	1,030,000.00	123,100.00	1,153,100.00
06/01/2047	1,070,000.00	84,475.00	1,154,475.00
<u>06/01/2048</u>	<u>1,110,000.00</u>	<u>43,012.50</u>	<u>1,153,012.50</u>
Total:	\$20,270,000.00	\$14,243,012.67	\$34,513,012.67

*Includes mandatory sinking fund redemptions.

PROJECTED MANDATORY REDEMPTION

The tables under the caption DEBT SERVICE REQUIREMENTS do not reflect possible redemptions from the Surplus Tax Receipts if available.

Based upon adjusted historical tax collections for the twelve (12) month period ended December 31, 2017, and no projected growth, the City estimates the Tax collections will be \$1,445,513.00. THERE IS NO GUARANTEE THAT THESE ESTIMATES WILL BE ACCURATE. See THE TAX, Future Tax Receipts. The Bonds would be paid in full by June 1, 2046, from Surplus Tax Receipts, if these estimates are correct, as follows:

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<u>Date</u>	<u>Principal Due</u>	<u>Bonds Redeemed Prior to Maturity</u>	<u>Total Principal Retired</u>
12/01/2018	-	-	-
06/01/2019	\$205,000	\$45,000	\$250,000
12/01/2019	-	25,000	25,000
06/01/2020	385,000	30,000	415,000
12/01/2020	-	25,000	25,000
06/01/2021	400,000	25,000	425,000
12/01/2021	-	30,000	30,000
06/01/2022	410,000	30,000	440,000
12/01/2022	-	30,000	30,000
06/01/2023	425,000	30,000	455,000
12/01/2023	-	30,000	30,000
06/01/2024	445,000	35,000	480,000
12/01/2024	-	30,000	30,000
06/01/2025	470,000	30,000	500,000
12/01/2025	-	35,000	35,000
06/01/2026	495,000	35,000	530,000
12/01/2026	-	30,000	30,000
06/01/2027	515,000	35,000	550,000
12/01/2027	-	35,000	35,000
06/01/2028	535,000	35,000	570,000
12/01/2028	-	35,000	35,000
06/01/2029	555,000	40,000	595,000
12/01/2029	-	40,000	40,000
06/01/2030	570,000	40,000	610,000
12/01/2030	-	40,000	40,000
06/01/2031	590,000	40,000	630,000
12/01/2031	-	40,000	40,000
06/01/2032	610,000	45,000	655,000
12/01/2032	-	45,000	45,000
06/01/2033	635,000	45,000	680,000
12/01/2033	-	45,000	45,000
06/01/2034	660,000	45,000	705,000
12/01/2034	-	45,000	45,000
06/01/2035	690,000	50,000	740,000
12/01/2035	-	45,000	45,000
06/01/2036	715,000	50,000	765,000
12/01/2036	-	50,000	50,000
06/01/2037	735,000	55,000	790,000
12/01/2037	-	50,000	50,000
06/01/2038	765,000	55,000	820,000
12/01/2038	-	55,000	55,000
06/01/2039	795,000	60,000	855,000
12/01/2039	-	55,000	55,000
06/01/2040	830,000	60,000	890,000
12/01/2040	-	55,000	55,000
06/01/2041	860,000	60,000	920,000
12/01/2041	-	65,000	65,000
06/01/2042	890,000	60,000	950,000
12/01/2042	-	65,000	65,000
06/01/2043	925,000	60,000	985,000
12/01/2043	-	70,000	70,000
06/01/2044	955,000	70,000	1,025,000
12/01/2044	-	65,000	65,000
06/01/2045	995,000	70,000	1,065,000
12/01/2045	-	165,000	165,000
06/01/2046	675,000	-	675,000
Total:	\$17,735,000.00	\$2,535,000	\$20,270,000

LEGAL MATTERS

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

Legal Opinions. Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Wright, Lindsey & Jennings LLP, Little Rock, Arkansas, Bond Counsel. Certain matters will be passed upon for the City by Ginger Stuart, City Attorney.

Tax Exemption. In the opinion of Wright, Lindsey & Jennings LLP, Bond Counsel, under existing law the interest on the Bonds is exempt from all Arkansas state, county, and municipal tax.

In the opinion of Bond Counsel, interest on the Bonds under existing law is excludable from gross income for federal income tax purposes and interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Bonds and the facilities financed thereby. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

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

As shown on the cover page of this Official Statement, the Bonds maturing in years 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2028, 2030, 2032, 2034, 2036, 2029, 2042, and 2048 are being sold at an original issue premium (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using

constant yield principles, based on the purchaser's yield to maturity (or, in the case of 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 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.

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

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

MISCELLANEOUS

Underwriting. Under a Bond Purchase Agreement (the "Agreement") entered into by and between the City, as issuer, and Stephens Inc. as underwriter (the "Underwriter"), the Bonds are being purchased at a price of \$20,276,663.45 (principal amount, plus net premium of \$260,038.45, less Underwriter's discount of \$253,375.00). The Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial or business condition of the City.

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

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

Bond Rating. The Bonds are rated “A1” by Moody’s Investors Service. The rating reflects only the view of the rating agency. Any explanation of the significance of the rating may be obtained only from the rating agency. The City furnished to the rating agency certain information and materials, some of which have been included in this Preliminary Official Statement, relating to the Bonds and the City. Generally, rating agencies base their ratings on such information and materials and investigation, studies, and assumptions by the rating agencies. There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency if in its judgment circumstances so warrant.

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

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

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

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

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CITY OF LONOKE, ARKANSAS

By: /s/ Wayne McGee

Wayne McGee, Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A

SUMMARY OF STATE SALES AND USE TAX PROVISIONS

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

(a) Tangible personal property;

(b) Natural or artificial gas, electricity, water, ice, steam, or any other utility or public service except transportation services, sewer services, and sanitation or garbage collection services;

(c) (i) Service by telephone, telecommunications, and telegraph companies to subscribers or users, including transmission of messages or images, whether local or long distance, including all service, installation, construction, and rental charges having any connection with transmission of any message or image;

(ii) Service of furnishing rooms, suites, condominiums, townhouses, rental houses or other accommodations by hotels, apartment hotels, lodging houses, tourist camps, tourist courts, property management companies, or any other provider of accommodations to transient guests;

(iii) Service of cable television, community antenna television, and any and all other distribution of television, video, or radio services with or without the use of wires provided to subscribers, paying customers or users, including installation, service, rental, repair and other charges having any connection with the providing of the said services;

(iv) Service of initial installation, alteration, addition, cleaning, refinishing, replacement and repair of motor vehicles, aircraft, farm machinery and implements, motors of all kinds, tires and batteries, boats, electrical appliances and devices, furniture, rugs, flooring, upholstery, household appliances, televisions and radios, jewelry, watches and clocks, engineering instruments, medical and surgical instruments, machinery of all kinds, bicycles, office machines and equipment, shoes, tin and sheet metal, mechanical tools and shop equipment; however, the tax does not apply to (A) coin operated car washes, (B) the maintenance or repair of railroad parts, railroad cars and equipment brought into the City solely and exclusively for the purpose of being repaired, refurbished, modified, or converted within the City, (C) the service of alteration, addition, cleaning, refinishing, replacement or repair of commercial jet aircraft or commercial jet aircraft components or subcomponents, (D) the repair or remanufacture of industrial metal rollers or platens that have a remanufactured non-metallic material covering on all or a part of the roller or platen surface, or (E) the initial installation, alteration, addition, cleaning, refinishing, replacement or repair of non-mechanical, passive or manually operated components of buildings or other improvements or structures affixed to real estate;

(v) Service of providing transportation or delivery of money, property or valuables by armored car; service of providing cleaning or janitorial work; service of

pool cleaning and servicing; pager services; telephone answering services; landscaping and non-residential lawn care services; service of parking a motor vehicle or allowing a motor vehicle to be parked; service of storing a motor vehicle; service of storing furs; and the service of providing indoor tanning at a tanning salon;

(d) Printing of all kinds, types and characters, including the service of overprinting, and photography of all kinds;

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

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

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

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

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

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

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

(l) Wrecker and towing services;

(m) Collection and disposal of solid wastes;

(n) Cleaning of parking lots and gutters;

(o) Dry cleaning and laundry services;

(p) Industrial laundry services;

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

(r) Pest control services;

(s) Security and alarm monitoring services;

(t) Boat storage and docking fees;

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

(v) Locksmith services;

(w) Pet grooming and kennel services; and

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

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

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

(b) Aircraft held for resale and used for rental or charter, whether by a business or an individual for a period not to exceed one year from the date of purchase of aircraft;

(c) Tangible personal property, specified digital products, a digital code or services by churches, except where such organizations may be engaged in business for profit;

(d) Tangible personal property, specified digital products, a digital code or services by charitable organizations, except where such organizations may be engaged in business for profit;

(e) Food in public, common, high school or college cafeterias and lunchrooms operated primarily for teachers and pupils, and not operated primarily for the public or for profit;

(f) Newspapers;

(g) Property or services to the United States Government; motor vehicles and adaptive equipment to disabled veterans who have purchased said vehicles or equipment with financial assistance of the Veterans Administration; specified digital products, a digital code, tangible personal property to and leasing motor vehicles to the Boy Scouts of America, the Girl Scouts of America or any of the Scout Councils in the State; tangible personal property, specified digital products, a digital code, or service to the Salvation Army, Heifer Project International, Inc., or Habitat for Humanity; tangible personal property, specified digital products, a digital code, or service to the Boys Clubs of America or any local councils or organizations of the Boys Clubs of America, the Girls Clubs of America or any local councils or organizations of the Girls Clubs of America, the Poets’ Roundtable of Arkansas, 4-H Clubs and FFA Clubs, the Arkansas 4-H Foundation, the Arkansas Future Farmers of America Foundation, and the Arkansas Future Farmers of America Association;

(h) Gasoline or motor vehicle fuel on which the motor vehicle fuel or gasoline tax has been paid to the State, special fuel or petroleum products sold for consumption by vessels, barges and other commercial watercraft and railroads, dyed distillable special fuel on which a tax has been paid and biodiesel fuel;

(i) Property resales to persons regularly engaged in the business of reselling the articles purchased;

(j) Advertising space in newspapers and publications and billboard advertising services;

(k) Gate admissions at State, district, county, or township fairs or at any rodeo if the receipts derived from gate admissions to the rodeo are used exclusively for the improvement, maintenance, and operation of such rodeo, and if no part of the net earnings thereof inures to the benefit of any private stockholder or individual;

(l) Property or services which the State is prohibited by the constitution or laws of the United States or by the constitution of the State from taxing or further taxing and tangible personal property exempted from taxation by the Arkansas Compensating Tax Act of 1949, as amended;

(m) Isolated sales not made by an established business;

(n) Cotton, seed cotton, lint cotton, baled cotton, whether compressed or not, or cotton seed in its original condition; seed for use in commercial production of an agricultural product or of seed; raw products from the farm, orchard, or garden, where such sale is made by the producer of such raw products directly to the consumer and user; livestock, poultry, poultry products, and dairy products of producers owning not more than five cows; and baby chickens;

(o) Foodstuffs to governmental agencies for free distribution to any public, penal and eleemosynary institutions or for free distribution to the poor and needy, and the rental or sale of medical equipment, for the benefit of persons enrolled in and eligible for Medicare or Medicaid programs;

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

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

(r) Unprocessed crude oil;

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

(t) Property consisting of machinery and equipment required by State or federal law or regulations to be installed and utilized by manufacturing or processing plants or facilities, cities or towns in this State to prevent or reduce air and/or water pollution or contamination;

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

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

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

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

(y) Property or services to humane societies;

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

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

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

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

(dd) New and used farm machinery and equipment;

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

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

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

(hh) Catalysts, chemicals, reagents, and solutions which are consumed or used by manufacturing or processing plants or facilities in the State in producing, manufacturing,

fabricating, processing, or finishing articles of commerce or to prevent or reduce air or water pollution or contamination;

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

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

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

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

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

(nn) Publications sold through regular subscriptions;

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

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

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

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

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

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

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

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

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

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

(yy) Foodstuffs to nonprofit agencies;

(zz) Tangible personal property consisting of forms constructed of plaster, cardboard, fiberglass, natural fibers, synthetic fibers or composites and which are destroyed or consumed during the manufacture of the item;

(aaa) Natural gas used as a fuel in the process of manufacturing glass;

(bbb) Sales to Fort Smith Clearinghouse;

(ccc) Substitute fuel used in producing, manufacturing, fabrication, assembling, processing, finishing or packaging of articles at manufacturing facilities or processing plants in the State;

(ddd) Railroad rolling stock used in transporting persons or property in interstate commerce;

(eee) Parts or other tangible personal property which become a part of railroad parts, railroad cars and equipment brought into the State for the purpose of being repaired, refurbished, modified or converted within the State;

(fff) Fire protection and emergency equipment to be owned by and exclusively used by a volunteer fire department, and supplies and materials to be used in the construction and maintenance of volunteer fire departments;

(ggg) Gas produced from biomass and sold for the purpose of generating steam, hot air or electricity to be sold to the gas producer;

(hhh) Fuel packaging materials sold to a person engaged in the business of processing hazardous and non-hazardous waste materials into fuel products at an approved site and machinery and equipment, including analytical equipment and chemicals used directly in the processing and packaging of hazardous and non-hazardous waste materials into fuel products at an approved site;

(iii) Electricity and natural gas used in the manufacturing of wall and floor tile by approved manufacturers;

(jjj) Textbooks, library books, and instructional materials purchased by an Arkansas school district or the State for free distribution to Arkansas schools or school districts;

(kkk) Tangible personal property, specified digital products, a digital code, or services to the Arkansas Symphony Orchestra, Inc.;

(lll) Electricity used for the production of chlorine and other chemicals using a chlor-alkali manufacturing process;

(mmm) Tangible personal property, specified digital products, a digital code, or services to a qualified museum;

(nnn) Livestock reproduction equipment or substances;

(ooo) Natural gas and electricity used in the manufacturing of tires in the State;

(ppp) Thermal imaging equipment purchased by a county government for use by law enforcement aircraft;

(qqq) Tangible property or services to the Arkansas Scent Dog Association, Inc.;

(rrr) Certain new or used trucks to be engaged in interstate commerce;

(sss) Tangible personal property, specified digital products, a digital code, or services to the Arkansas Black Hail of Fame Foundation;

(ttt) Sale, lease or rental of kegs used to sell beer wholesale by a wholesale beer manufacturer of beer;

(uuu) Repair parts and labor for pollution control machinery and equipment;

(vvv) Sales by commercial farmers of certain baling twine, net wrap, silage wrap, and similar products;

(www) Sales of tangible personal property, specified digital products, a digital code, or a service to a nonprofit blood donation organization;

(xxx) Sales of utilities used by qualifying agriculture and horticultural equipment;

(yyy) Sales of utilities used by a grain drying and storage facility;

(zzz) Dental appliances sold by or to dentists or certain other professionals; and

(aaaa) Machinery, new and used equipment, and related attachments that are sold to or used by a person engaged primarily in the harvesting of timber.

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

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

the City regardless of the length of time any such property is so stored in the City. The use tax is levied on the following described tangible personal property:

(a) Tractors, trailers, semi-trailers, trucks, buses and other rolling stock, including replacement tires, used directly in the transportation of persons or property in intrastate or interstate common carrier transportations;

(b) Property (except fuel) consumed in the operation of railroad rolling stock;

(c) Transmission lines and pumping or pressure control equipment used directly in or connected to the primary pipeline facility engaged in intrastate or interstate common carrier transportation of property;

(d) Airplanes and navigation instruments used directly in or becoming a part of flight aircraft engaged in transportations of persons or property in regular scheduled intrastate or interstate common carrier transportation;

(e) Exchange equipment, lines, boards and all accessory devices used directly in and connected to the primary facility engaged in the transmission of messages;

(f) Transmission and distribution pipelines in pumping or pressure control and equipment used in connection therewith used directly in primary pipeline facility for the purpose of transporting and delivering natural gas;

(g) Transmission and distribution lines, pumping machinery and controls used in connection therewith in cleaning or treating equipment of primary water distribution system;

(h) Property of public electric power companies consisting of all machinery and equipment including reactor cores and related accessory devices used in the generation and production of electric power and energy and transmission facilities consisting of the lines, including poles, towers and other supporting structures, transmitting electric power and energy together with substations located on or attached to such lines;

(i) Computer software; and

(j) Tangible personal property provided to a financial institution.

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

(a) Property, the storage, use, or consumption of which the State is prohibited from taxing under the Constitution or laws of the United States of America or the State;

(b) Sales of tangible personal property, specified digital products, a digital code, or services on which the tax under the Arkansas Gross Receipts Act of 1941 is levied;

(c) Tangible personal property, specified digital products, a digital code, or services which is exempted from the sales tax under the Arkansas Gross Receipts Act of 1941;

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

(e) Unprocessed crude oil;

(f) Machinery and equipment used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at manufacturing or processing plants or facilities in the State, including facilities and plants for manufacturing feed, processing of poultry and/or eggs and livestock and the hatching of poultry and such equipment is either (1) purchased to create or expand manufacturing or processing plants in the State, (2) purchased to replace existing machinery and used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at manufacturing or processing plants in the State, or (3) required by State law to be installed and utilized by manufacturing or processing plants to prevent or reduce air and/or water pollution or contamination;

(g) Custom manufactured homes constructed with materials on which the sales or use tax has once been paid;

(h) Aircraft, aircraft equipment, railroad parts, cars, and equipment, and tangible personal property owned or leased by aircraft, airmotive, or railroad companies, brought into the State solely and exclusively for refurbishing, conversion, or modification or for storage for use outside or inside the State;

(i) Vessels, barges, and towboats of at least 50 tons load displacement and parts and labor used in the repair and construction of them;

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

(k) Agricultural fertilizer, agricultural limestone, agricultural chemicals, including agricultural pesticides and herbicides used in commercial production of agricultural products, and vaccines, medications, and medicinal preparations, used in treating livestock and poultry being grown for commercial purposes and other ingredients used in the commercial production of yeast;

(l) All new and used motor vehicles, trailers or semi-trailers that are purchased for a total consideration of less than \$4,000;

(m) Any tangible personal property used, consumed, distributed, or stored in this State upon which a like tax, equal to or greater than the Arkansas Compensating Tax, has been paid in another state;

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

(o) Fire protection and emergency equipment to be owned by and exclusively used by a volunteer fire department, and supplies and materials to be used in the construction and maintenance of volunteer fire departments;

(p) Electricity and natural gas used in the manufacturing of wall and floor tile by approved manufacturers;

(q) Tangible personal property consisting of forms constructed of plaster, cardboard, fiberglass, natural fibers, synthetic fibers or composites and which are destroyed or consumed during the manufacture of the item;

(r) Natural gas used as a fuel in the process of manufacturing glass;

(s) Sales to Fort Smith Clearinghouse;

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

(u) Foodstuffs to nonprofit agencies;

(v) Tangible personal property, specified digital products, a digital code or services for a qualified museum;

(w) Certain new or used trucks to be engaged in interstate;

(x) Railroad rolling stock manufactured for use in transporting persons or property in interstate commerce;

(y) Sales of tangible personal property or a service to a nonprofit blood donation organization;

(z) Sales of utilities used by qualifying agriculture and horticultural equipment;

(aa) Sales of utilities used by grain drying and storage facilities; and

(bb) Dental appliances sold by or to dentists or certain other professionals.

Reference is made to the “Arkansas Compensating Tax Act of 1949”; Title 26, Chapter 53 of the Arkansas Code of 1987 Annotated, for more information concerning the use tax.