

OFFICIAL STATEMENT

**NEW ISSUE
BOOK-ENTRY ONLY**

***RATING: S&P “AA-” (stable outlook)**

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

\$26,970,000
CITY OF CONWAY, ARKANSAS
SALES AND USE TAX CAPITAL IMPROVEMENT AND REFUNDING BONDS
SERIES 2015

Dated: April 15, 2015

Due: May 1, as shown on inside front cover

The Sales and Use Tax Capital Improvement and Refunding Bonds, Series 2015 (the “Bonds”), are being issued by the City of Conway, Arkansas (the “City”) for the purpose of (i) refunding all of the City’s outstanding Sales and Use Tax Capital Improvement and Refunding Bonds, Series 2012 (the “Prior Bonds”), (ii) financing the costs of constructing, extending and improving certain City streets, (iii) funding a debt service reserve, and (iv) paying certain expenses in connection with the issuance of the Bonds. See the captions “SOURCES AND USES OF FUNDS,” “THE PROJECT” and “REFUNDING PROGRAM” herein.

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

The Bonds shall bear interest from their dated date, payable on May 1 and November 1 of each year, commencing November 1, 2015. All such interest payments shall be payable to the persons in whose name such Bonds are registered on the bond registration books maintained by Regions Bank, Little Rock, Arkansas, as trustee (the “Trustee”), as of the fifteenth day of the calendar month preceding the calendar month in which the applicable interest payment date falls. Principal of and premium, if any, on the Bonds shall be payable at the designated corporate trust office of the Trustee. So long as DTC or its nominee is the registered owner of the Bonds, disbursement of such payments to DTC Participants is the responsibility of DTC, and the disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants or Indirect Participants, as more fully described herein.

Pursuant to a Trust Indenture dated as of April 15, 2015 (the “Indenture”), between the City and the Trustee, the payment of the principal of, premium, if any, and interest on the Bonds is secured by a pledge of the receipts from (i) a one-eighth of one percent (0.125%) special city-wide sales and use tax (the “Special Sales and Use Tax”) and (ii) a one-eighth of one percent (0.125%) general city-wide sales and use tax (the “General Sales and Use Tax”) levied by the City. See the caption “SECURITY FOR THE BONDS” herein. The Bonds are subject to optional and mandatory redemption prior to maturity as more fully described herein under the caption “THE BONDS – Redemption.”

The Bonds are special obligations of the City secured by and payable solely from receipts of the Special Sales and Use Tax and the General Sales and Use Tax. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Bonds shall not directly, indirectly or contingently obligate the City to levy or pledge any taxes whatsoever or to make any appropriation for the payment of the Bonds, except as described herein with respect to the Special Sales and Use Tax and the General Sales and Use Tax.

The Bonds are offered when, as and if issued by the City and are subject to the final approving opinion of Kutak Rock LLP, Little Rock, Arkansas, Bond Counsel. Certain matters will be passed upon for the City by its counsel, Chuck Clawson, Esq., City Attorney. It is expected that the Bonds will be available for delivery in New York, New York, on or about April 15, 2015.

Stephens Inc.

 **Crews & Associates**
Investment Bankers

The date of this Official Statement is March 10, 2015.

* See the caption “RATING” herein.

MATURITY SCHEDULE

<u>Maturity (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2016	\$ 510,000	2.000%	0.400%	212595 CU4	2021	\$630,000	3.000%	2.020%	212595 CZ3
2017	570,000	2.000%	0.790%	212595 CV2	2022	645,000	4.000%	2.300%	212595 DA7
2018	580,000	2.000%	1.220%	212595 CW0	2023	670,000	4.000%	2.490%	212595 DB5
2019	590,000	3.000%	1.540%	212595 CX8	2024	700,000	4.000%	2.600%	212595 DC3
2020	610,000	3.000%	1.800%	212595 CY6	2025	725,000	4.000%	2.680%	212595 DD1
	\$4,135,000	4.500%		Term Bond due May 1, 2030	Yield: 3.130%				CUSIP: 212595 DE9
	\$5,160,000	4.500%		Term Bond due May 1, 2035	Yield: 3.350%				CUSIP: 212595 DF6
	\$6,330,000	3.750%		Term Bond due May 1, 2040	Yield: 3.900%				CUSIP: 212595 DG4
	\$5,115,000	3.875%		Term Bond due May 1, 2044	Yield: 4.000%				CUSIP: 212595 DH2

* Priced to the first optional redemption date of May 1, 2023.

CITY OF CONWAY, ARKANSAS

Issuer

City Council

Tab Townsell, Mayor

David Grimes

Andrew Hawkins

Theodore Jones, Jr.

Mark Ledbetter

Shelley Mehl

Wesley Pruitt

Mary Smith

Sheila Whitmore

Tyler Winningham, Finance Officer

Michael O. Garrett, City Clerk

Chuck Clawson, City Attorney

REGIONS BANK

Little Rock, Arkansas

Trustee and Paying Agent

KUTAK ROCK LLP

Little Rock, Arkansas

Bond Counsel

STEPHENS INC.

Little Rock, Arkansas

CREWS & ASSOCIATES, INC.

Little Rock, Arkansas

Underwriters

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE TRUST INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON CERTAIN EXEMPTIONS FROM SUCH REGISTRATION AND QUALIFICATION CONTAINED IN SUCH LAWS.

CERTAIN INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM THE CITY, THE DEPOSITORY TRUST COMPANY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTY THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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

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OFFICIAL STATEMENT

\$26,970,000
CITY OF CONWAY, ARKANSAS
SALES AND USE TAX CAPITAL IMPROVEMENT AND REFUNDING BONDS
SERIES 2015

INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement. All descriptions and summaries of documents hereinafter set forth are qualified in their entirety by reference to each such document. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms under the caption "DEFINITIONS OF CERTAIN TERMS" herein.

This Official Statement, including the cover page and the Appendices hereto, is furnished in connection with the offering by the City of Conway, Arkansas (the "City") of its Sales and Use Tax Capital Improvement and Refunding Bonds, Series 2015, in the principal amount of \$26,970,000 (the "Bonds").

The City is a city of the first class organized and existing under the laws of the State of Arkansas (the "State"). The City is authorized under Amendment 62 to the Constitution of the State ("Amendment 62") and Arkansas Code Annotated (1998 Repl. & 2013 Supp.) §§14-164-301 *et seq.* (as from time to time amended, the "Local Government Bond Act"), to issue and sell bonds for the purpose of financing and refinancing the costs of acquiring, constructing and equipping capital improvements of a public nature.

The Bonds are to be issued by the City pursuant to Amendment 62, the Local Government Bond Act and Ordinance No. O-15-26, adopted and approved on March 10, 2015 (the "Authorizing Ordinance"), for the purpose of (i) refunding all of the City's outstanding Sales and Use Tax Capital Improvement and Refunding Bonds, Series 2012 (the "Prior Bonds"), (ii) financing the costs of constructing, extending and improving various City streets (the "Project"), (iii) funding a debt service reserve, and (iv) paying certain expenses in connection with the issuance of the Bonds. See the captions "SOURCES AND USES OF FUNDS," "THE PROJECT" and "REFUNDING PROGRAM" herein.

The Bonds are not general obligations of the City, but are special obligations payable solely from and secured by a pledge of the receipts of (i) a special city-wide sales and use tax levied by the City pursuant to the Local Government Bond Act at the rate of one-eighth of one percent (0.125%) (the "Special Sales and Use Tax") and (ii) a general city-wide sales and use tax levied by the City pursuant to Arkansas Code Annotated (2008 Repl. & 2013 Supp.) §§26-75-201 *et seq.* (as from time to time amended, the "Municipal General Sales and Use Tax Act") at the rate of one-eighth of one percent (0.125%) (the "General Sales and Use Tax"). See the captions "SECURITY FOR THE BONDS" and "HISTORICAL SALES AND USE TAX COLLECTIONS" herein.

The faith and credit of the City are not pledged to the payment of the Bonds, and the Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Bonds shall not directly, indirectly or contingently obligate the City to levy or pledge any taxes whatsoever or to make any appropriation for the payment of the Bonds, except as described herein with respect to the Special Sales and Use Tax and the General Sales and Use Tax.

Pursuant to the provisions of a Trust Indenture dated as of April 15, 2015 (the "Indenture"), by and between the City and Regions Bank, Little Rock, Arkansas, as trustee (the "Trustee"), receipts of the General Sales and Use Tax will be utilized only to provide for the payment of scheduled debt service on the Bonds after application of receipts of the Special Sales and Use Tax for such purpose. Proceeds of the Special Sales and Use Tax in excess of amounts needed to pay scheduled debt service on the Bonds ("Surplus Tax Receipts") shall be applied to the mandatory redemption of the Bonds. The Bonds are also subject to optional redemption, mandatory sinking fund redemption and mandatory redemption from any excess moneys in the Project Fund following completion of the Project. See the captions "THE BONDS – *Redemption*" and "PROJECTED MANDATORY REDEMPTIONS."

The receipts of the Special Sales and Use Tax may not be pledged to secure any additional indebtedness of the City. Additional indebtedness of the City may be secured by receipts of the General Sales and Use Tax on a parity basis with the pledge securing the Bonds (“Parity Indebtedness”) on the terms and subject to the conditions set forth in the Indenture. See the caption “THE BONDS – *Parity Indebtedness*” herein.

Pursuant to the provisions of a Continuing Disclosure Agreement dated as of the date of delivery of the Bonds (the “Continuing Disclosure Agreement”), by and between the City and Regions Bank, Little Rock, Arkansas, as dissemination agent (the “Dissemination Agent), the City has undertaken certain obligations with respect to providing ongoing disclosure of certain financial and operating data concerning the City, the Special Sales and Use Tax and the General Sales and Use Tax and of the occurrence of certain material events. See the caption “SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT” herein.

This Official Statement contains brief descriptions or summaries of, among other matters, the City, the Bonds, the Special Sales and Use Tax, the General Sales and Use Tax, the Continuing Disclosure Agreement and the Indenture. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture and the Continuing Disclosure Agreement are qualified in their entirety by reference to each such document, and all references to the Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto included in the Indenture. Copies of the Continuing Disclosure Agreement, the Indenture, and the form of Bond included therein, are available from the City by writing to the attention of the Conway City Clerk, City Hall, 1201 Oak Street, Conway, Arkansas 72032 and, during the initial offering period only, from the representative of the Underwriters, Stephens Inc., 111 Center Street, Suite 2300, Little Rock, Arkansas 72201. Certain financial and operating data has been provided by the City from the audited records of the City and certain demographic information has been obtained from other sources which are believed to be reliable.

THE BONDS

Description. The Bonds will be initially dated as of April 15, 2015, and will bear interest payable semiannually on May 1 and November 1 of each year, commencing November 1, 2015, at the rates set forth on the inside cover page hereof. The Bonds will mature on May 1 in the years and in the principal amounts set forth on the inside cover page hereof.

The Bonds are issuable only in the form of 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, premium, if any, and interest payments on the Bonds will be made so long as Cede & Co. is the registered owner of the Bonds. Individual purchases of the Bonds will be made only in book-entry form, in denominations of \$5,000 or integral multiples thereof. Individual purchasers (“Beneficial Owners”) of Bonds will not receive physical delivery of bond certificates. See the caption “BOOK-ENTRY ONLY SYSTEM” herein.

All interest payments on the Bonds shall be payable to the persons in whose name such Bonds are registered on the bond registration books maintained by the Trustee, as of the fifteenth day of the calendar month preceding the calendar month in which the applicable interest payment date falls. Principal of and premium, if any, on the Bonds shall be payable at the designated corporate trust office of the Trustee. 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. So long as DTC or its nominee is the registered owner of the Bonds, disbursement of such payments to DTC Participants is the responsibility of DTC, and the disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants or Indirect Participants, as more fully described herein.

Redemption. The Bonds are subject to redemption prior to maturity as follows:

(i) The Bonds shall be redeemed prior to maturity, in whole or in part, on any interest payment date, in inverse order of maturity and by lot in such manner as the Trustee shall determine within a maturity, at a redemption price equal to 100% of the principal amount being redeemed, plus accrued interest to the date of redemption, from moneys in the Project Fund moneys in excess of the amount needed to complete the Project.

(ii) The Bonds shall be redeemed prior to maturity, in whole or in part, on any interest payment date, in inverse order of maturity and by lot in such manner as the Trustee shall determine within a maturity, at a redemption price equal to 100% of the principal amount being redeemed, plus accrued interest to the date of redemption, from Surplus Tax Receipts. “Surplus Tax Receipts” are collections of the Special Sales and Use Tax in excess of the amount necessary to (i) ensure the prompt payment of the principal of and interest on Outstanding Bonds, (ii) maintain the Debt Service Reserve Fund in an amount

equal to the Reserve Requirement, (iii) pay any arbitrage rebate due under Section 148(f) of the Internal Revenue Code of 1986, as amended (the “Code”), and (iv) pay Trustee and Paying Agent fees and expenses. See the caption “PROJECTED MANDATORY REDEMPTIONS” herein.

(iii) The Bonds are subject to redemption prior to maturity at the option of the City, in whole at any time or in part on any interest payment date, on and after May 1, 2023, from funds from any source, in inverse order of maturity and by lot in such manner as the Trustee shall determine within a maturity, at a redemption price equal to 100% of the principal amount being redeemed, plus accrued interest to the date of redemption.

(iv) The Bonds maturing on May 1, 2030, are subject to mandatory sinking fund redemption prior to maturity in part, on May 1 in the years and amounts set forth below at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium;

Year	Principal Amount
2026	\$ 755,000
2027	790,000
2028	825,000
2029	865,000
2030 (maturity)	900,000

(v) The Bonds maturing on May 1, 2035, are subject to mandatory sinking fund redemption prior to maturity in part, on May 1 in the years and amounts set forth below at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium; and

Year	Principal Amount
2031	\$ 945,000
2032	985,000
2033	1,030,000
2034	1,075,000
2035 (maturity)	1,125,000

(vi) The Bonds maturing on May 1, 2040, are subject to mandatory sinking fund redemption prior to maturity in part, on May 1 in the years and amounts set forth below at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

Year	Principal Amount
2036	\$1,175,000
2037	1,220,000
2038	1,265,000
2039	1,310,000
2040 (maturity)	1,360,000

(vii) The Bonds maturing on May 1, 2044, are subject to mandatory sinking fund redemption prior to maturity in part, on May 1 in the years and amounts set forth below at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

Year	Principal Amount
2041	\$1,410,000
2042	1,465,000
2043	1,525,000
2044 (maturity)	715,000

At its option, to be exercised on or before the 45th day next preceding any mandatory sinking fund redemption date for any Bonds, the City may deliver to the Trustee for cancellation Bonds of the appropriate maturity, or portions thereof (\$5,000 or any integral multiple thereof), in any aggregate principal amount desired. Each such Bond, or portion thereof, so delivered or previously redeemed (otherwise than through mandatory sinking fund redemption) and canceled by the Trustee shall be credited by the Trustee at 100% of the principal amount thereof on the obligation of the City on such mandatory sinking fund redemption date, and any excess over such amount shall be credited on future mandatory sinking fund redemption obligations

of that maturity in chronological order, and the principal amount of such Bonds so to be redeemed shall be accordingly reduced.

Redemption of a Bond. If less than all of the Bonds of a maturity are called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot in such manner as the Trustee in its discretion may deem fair and appropriate. So long as DTC or its nominee is the sole registered owner of the Bonds, the procedures established by DTC shall control with respect to the selection of the particular Bonds to be redeemed.

Notice of Redemption. Notice of the call for any redemption, identifying the Bonds or portions thereof being called and the date on which they shall be presented for payment, shall be mailed by the Trustee by first class mail (or, so long as DTC or its nominee is the sole registered owner of the Bonds, by any other means acceptable to DTC, including facsimile) to the registered owner of each such Bond addressed to such registered owner at his registered address and placed in the mails not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceeding for the redemption of any Bond with respect to which no such failure or defect has occurred.

Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not the registered owner receives the notice.

Transfer or Exchange. The Bonds may be transferred on the books of registration kept by the Trustee by the registered owner in person or by the owner's duly authorized attorney, upon surrender thereof, together with a written instrument of transfer duly executed by the registered owner or the owner's duly authorized attorney. Upon surrender for transfer of any Bond at the designated corporate office of the Trustee, the City shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same series and in the same aggregate principal amount and of any authorized denomination or denominations.

Transfers of registration or exchanges of Bonds shall be without charge to the Holders of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder of the Bond requesting such transfer or exchange as a condition precedent to the exercise of such privilege.

The Trustee shall not be required to transfer or exchange any Bond during the period from and including a Record Date to the next succeeding interest payment date of such Bond nor to transfer or exchange any Bond after the mailing of notice calling such Bond for redemption has been made, and prior to such redemption.

So long as DTC or its nominee is the sole registered owner of the Bonds, transfers of beneficial interests in the Bonds shall be in accordance with the rules and procedures of DTC and its direct and indirect participants. See the caption "BOOK-ENTRY ONLY SYSTEM" herein.

Parity Indebtedness. In accordance with the terms of the Indenture, the City may issue or incur indebtedness secured by a pledge of and a lien on all or any portion of the receipts derived from the General Sales and Use Tax on a parity with the pledge of such receipts securing the Bonds (the "Parity Indebtedness"), but only for the purpose of (i) financing capital improvements of a public nature as permitted by the Local Government Bond Act or the Municipal General Sales and Use Tax Act, or (ii) refunding or refinancing the Bonds or Parity Indebtedness previously incurred. The City may not incur indebtedness secured by all or any portion of the receipts of the Special Sales and Use Tax.

Except for Parity Indebtedness issued or incurred to refund or refinance the Bonds or previously incurred Parity Indebtedness, prior to the issuance of Parity Indebtedness the Trustee shall receive an Accountant's Certificate stating that the receipts derived from the General Sales and Use Tax and the Special Sales and Use Tax for the Fiscal Year immediately prior to the Fiscal Year in which the new Parity Indebtedness is to be incurred were at least 140% of the maximum aggregate annual Debt Service requirements (in any Fiscal Year) on the outstanding Bonds, any outstanding Parity Indebtedness and the proposed Parity Indebtedness.

Prior to the issuance or incurring of Parity Indebtedness for the purpose of refunding the Bonds or any Parity Indebtedness, there shall be filed with the Trustee an Accountant's Certificate to the effect that the Debt Service with respect to the Parity Indebtedness to be incurred as to any Fiscal Year following the issuance of the Parity Indebtedness will not exceed the Debt Service for such Fiscal Year with respect to the refunded or refinanced Bonds or previously incurred Parity Indebtedness which would have been outstanding in that Fiscal Year had the same not been refunded or refinanced.

"Accountant's Certificate" means a certificate signed by an independent certified public accountant or a firm of independent certified public accountants, selected from time to time by the City and approved by the Trustee, who may be the accountant or the firm of accountants which regularly audits the books of the City.

SECURITY FOR THE BONDS

Tax Receipts. The Bonds are special obligations of the City secured by and payable from all of the receipts of (i) a one-eighth of one percent (0.125%) special city-wide sales and use tax (the “Special Sales and Use Tax”), and (ii) a one-eighth of one percent (0.125%) general city-wide sales and use tax (the “General Sales and Use Tax”). The General Sales and Use Tax was levied pursuant to Ordinance No. O-11-108, duly adopted by the City Council of the City on December 13, 2011 (the “General Sales and Use Tax Levying Ordinance”). Pursuant to the General Sales and Use Tax Election Ordinance, a special election was held on February 14, 2012, at which time a majority of the qualified electors of the City approved the levy of the General Sales and Use Tax. The Special Sales and Use Tax was levied pursuant to Ordinance No. O-14-48, duly adopted by the City Council of the City on June 10, 2014 (the “Election Ordinance”). Pursuant to the Election Ordinance, a special election was held on September 9, 2014, at which time a majority of the qualified electors of the City approved the issuance of the Bonds and the levy of the Special Sales and Use Tax.

The receipts of the Special Sales and Use Tax and General Sales and Use Tax were pledged to secure the payment of Debt Service on the Bonds pursuant to Ordinance No. O-15-26, duly adopted by the City Council of the City on March 10, 2015 (the “Authorizing Ordinance”). The collection of the General Sales and Use Tax commenced on July 1, 2012. The collection of the Special Sales and Use Tax will commence on July 1, 2015, and will replace an existing one-eighth of one percent (0.125%) sales and use tax securing the Prior Bonds (the “prior Tax”). See the captions “THE SALES AND USE TAXES” and “HISTORICAL SALES AND USE TAX COLLECTIONS” herein.

The pledge of the receipts of the Special Sales and Use Tax secures the payment of debt service on the Bonds only, and such receipts may not be pledged to secure any additional indebtedness of the City. Receipts of the Special Sales and Use Tax in excess of the amount needed to pay regularly scheduled debt service on the Bonds will be applied to the mandatory redemption of the Bonds. See the caption “THE BONDS – *Redemption*” herein.

Receipts of the General Sales and Use Tax will be used, after monthly application of receipts of the Special Sales and Use Tax, only for the purpose of providing for the payment of regularly scheduled debt service on the Bonds. To the extent not needed for such purpose, the Indenture provides that said receipts will be released to the City on a monthly basis and may be expended for any legal municipal purpose. Additional indebtedness of the City may be issued and secured by all or any portion of the receipts of the General Sales and Use Tax on a parity basis with the pledge thereof securing the Bonds (“Parity Indebtedness”) on the terms and subject to the conditions set forth in the Indenture. See the caption “THE BONDS – *Parity Indebtedness*” herein.

The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Bonds shall not directly, indirectly or contingently obligate the City to levy or pledge any taxes whatsoever or to make any appropriation for the payment of the Bonds, except as described herein with respect to the Special Sales and Use Tax and the General Sales and Use Tax.

Debt Service Reserve. From the proceeds of the Bonds, there shall be deposited into the Debt Service Reserve Fund an amount equal to the lesser of (i) 5% of the initial principal amount of the Bonds or (ii) 50% of the maximum Annual Debt Service with respect to the Bonds (the “Reserve Requirement”). 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 or by Investment Securities.

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 Interest Account and Principal Account of the Bond Fund and into the Rebate Fund, as provided in the Indenture). If a surplus shall exist in the Debt Service Reserve Fund over and above the Reserve Requirement, such surplus shall be deposited into the Interest Account of the Bond Fund.

BOOK-ENTRY ONLY SYSTEM

The Bonds will be issued only as one fully registered Bond for each maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), as registered owner of all the Bonds. The fully registered Bonds will be retained and immobilized in the custody of DTC.

DTC (or any successor securities depository) or its nominee for all purposes under the Indenture will be considered by the City and the Trustee to be the owner or holder of the Bonds.

Owners of any book entry interests in the Bonds (the “book entry interest owners”) described below, will not receive or have the right to receive physical delivery of the Bonds, and will not be considered by the City and the Trustee to be, and will not have any rights as, owners or holders of the Bonds under the bond proceedings and the Indenture except to the extent, if any, expressly provided thereunder.

CERTAIN INFORMATION REGARDING DTC AND DIRECT PARTICIPANTS IS SET FORTH BELOW. THIS INFORMATION HAS BEEN PROVIDED BY DTC. THE CITY, THE UNDERWRITERS AND BOND COUNSEL ASSUME NO RESPONSIBILITY FOR THE ACCURACY OF SUCH STATEMENTS.

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. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 120 countries and territories) 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 among 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, the National Securities Clearing Corporation and the Fixed Income Clearing Corporation, all of which are registered agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.com.

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 (“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, but Beneficial Owners are 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 Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry System for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other 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. The 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 shall be sent to DTC. If less than all of the Bonds within a maturity are to be redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such 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 will

assign 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).

Payment of debt service and redemption proceeds with respect to 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 the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and debt service to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

BENEFICIAL OWNERS SHOULD CONSULT WITH THE DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS FROM WHOM THEY PURCHASE A BOOK ENTRY INTEREST TO OBTAIN INFORMATION CONCERNING THE SYSTEM MAINTAINED BY SUCH DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS TO RECORD SUCH INTERESTS, TO MAKE PAYMENTS, TO FORWARD NOTICES OF REDEMPTION AND OF OTHER INFORMATION.

THE CITY AND THE TRUSTEE HAVE NO RESPONSIBILITY OR LIABILITY FOR ANY ASPECTS OF THE RECORDS OR NOTICES RELATING TO, OR PAYMENTS MADE ON ACCOUNT OF, BOOK ENTRY INTEREST OWNERSHIP, OR FOR MAINTAINING, SUPERVISING OR REVIEWING ANY RECORDS RELATING TO THAT OWNERSHIP.

The Trustee and the City, so long as a book entry method of recording and transferring interest in the Bonds is used, will send any notice of redemption or of any Indenture amendment or supplement or other notices to Bondholders under the Indenture only to DTC (or any successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participants, or of any Direct Participants or Indirect Participants to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption, the Indenture amendment or supplement, or any other action premised on notice given under the Indenture.

The City and the Trustee cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Bonds made to DTC or its nominee as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in a manner described in this Official Statement.

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.

In addition, 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 PROJECT

Approximately \$20,130,440 of the proceeds of the Bonds will be deposited into the Project Fund and will be expended for the construction, extension and improving of various City streets, which may include related bridge, sidewalk, lighting, traffic signal, utility adjustment, curbing, guttering and drainage improvements (the "Project").

REFUNDING PROGRAM

A portion of the proceeds of the Bonds and other available moneys will be used to accomplish a current refunding of \$8,475,000 outstanding principal amount of the City's Sales and Use Tax Capital Improvement and Refunding Bonds, Series 2012, dated as of May 1, 2012 (the "Prior Bonds"). The Prior Bonds were originally issued to finance the costs of various capital improvements within the City.

Upon delivery of the Bonds, certain proceeds thereof will be deposited with Regions Bank, Little Rock, Arkansas, as trustee for the Prior Bonds (the "Prior Bond Trustee"), and will be utilized, together with available bond fund moneys relating to the Prior Bonds, to defease the entire outstanding principal amount of the Prior Bonds.

The proceeds of the Bonds and said available moneys to be deposited with the Prior Bond Trustee will be held as cash in trust for the owners of the Prior Bonds and will be utilized to redeem the Prior Bonds in full, with interest thereon, on May 1, 2015. After such deposit with the Prior Bond Trustee, the Prior Bonds will no longer be deemed to be outstanding and will be secured solely by the amounts held by the Prior Bond Trustee. See the caption "SOURCES AND USES OF FUNDS" herein.

HISTORICAL SALES AND USE TAX COLLECTIONS

The levy of the General Sales and Use Tax commenced on July 1, 2012. The levy of the Special Sales and Use Tax will commence on July 1, 2015. The Special Sales and Use Tax will be replacing a current one-eighth of one percent (0.125%) special sales and use tax previously levied by the City (the "Prior Tax") pursuant to the authority of the Local Government Bond Act. The levy of the Prior Tax will cease as of July 1, 2015.

Set forth below is a table showing historical sales and use tax receipts of the City based on tax rate of one-quarter of one percent (0.25%), a rate equal to the combined rates of the Special Sales and Use Tax and the General Sales and Use Tax.

Year	Historical Collections (0.25%)	Growth Percentage
2007	\$ 2,758,095	n/a
2008	2,909,597	5.49%
2009	2,885,036	-0.84%
2010	3,021,208	4.72%
2011	3,069,198	1.59%
2012	3,201,120	4.30%
2013	3,201,458	0.01%
2014	3,225,677	0.77%

SOURCES AND USES OF FUNDS

The proceeds of the Bonds will be used as follows:

Sources of Funds

Par Amount of Bonds	\$ 26,970,000
Prior Bond Funds	1,914,692
Net Reoffering Premium	<u>978,465</u>
Total Sources:	<u>\$29,863,157</u>

Uses of Funds

Transfer to Prior Bond Trustee	\$ 8,576,674
Deposit to Project Fund	20,130,441
Deposit to Debt Service Reserve Fund	806,390
Costs of Issuance ⁽¹⁾	<u>349,652</u>
Total Uses:	<u>\$29,863,157</u>

⁽¹⁾ Includes underwriters' discount and other costs of issuance.

DEBT SERVICE REQUIREMENTS

As of the date of closing, the Bonds will constitute the only debt obligations secured by receipts of the Special Sales and Use Tax or the General Sales and Use Tax. The following table sets forth the amounts required to pay scheduled principal of and interest on the Bonds during each bond year ending May 1:

<u>Bond Year</u>	<u>Principal⁽¹⁾</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 510,000	\$ 1,098,292	\$ 1,608,292
2017	570,000	1,041,356	1,611,356
2018	580,000	1,029,956	1,609,956
2019	590,000	1,018,356	1,608,356
2020	610,000	1,000,656	1,610,656
2021	630,000	982,356	1,612,356
2022	645,000	963,456	1,608,456
2023	670,000	937,657	1,607,657
2024	700,000	910,856	1,610,856
2025	725,000	882,856	1,607,856
2026	755,000	853,856	1,608,856
2027	790,000	819,882	1,609,882
2028	825,000	784,331	1,609,331
2029	865,000	747,206	1,612,206
2030	900,000	708,281	1,610,281
2031	945,000	667,782	1,610,782
2032	985,000	625,256	1,609,256
2033	1,030,000	580,931	1,611,931
2034	1,075,000	534,581	1,610,581
2035	1,125,000	486,207	1,611,207
2036	1,175,000	435,581	1,610,581
2037	1,220,000	391,519	1,611,519
2038	1,265,000	345,769	1,610,769
2039	1,310,000	298,331	1,608,331
2040	1,360,000	249,206	1,609,206
2041	1,410,000	198,207	1,608,207
2042	1,465,000	143,569	1,608,569
2043	1,525,000	86,800	1,611,800
2044	<u>715,000</u>	<u>27,707</u>	<u>742,707</u>
Totals:	<u>\$ 26,970,000</u>	<u>\$18,850,799</u>	<u>\$45,820,799</u>

⁽¹⁾ Includes mandatory sinking fund redemptions.

ESTIMATED DEBT SERVICE COVERAGE

The following table shows estimated maximum annual debt service coverage with respect to the Bonds utilizing combined receipts of the General Sales and Use Tax (0.125%) and the Prior Tax (0.125%) for the fiscal year ended December 31, 2014.

Historical Sales and Use Tax Receipts ⁽¹⁾	\$ 3,225,677
Maximum Annual Debt Service Requirement on the Bonds ⁽²⁾	\$ 1,612,356
Maximum Annual Debt Service Coverage	<u>2.00X</u>

⁽¹⁾ Receipts of the General Sales and Use Tax and the Prior Tax for the twelve-month period ended December 31, 2014.

⁽²⁾ See the caption "DEBT SERVICE REQUIREMENTS" herein.

THE COVERAGE NUMBERS SET FORTH ABOVE ARE BASED ON HISTORICAL SALES AND USE TAX RECEIPTS OF THE GENERAL SALES AND USE TAX AND THE PRIOR TAX. ACTUAL RECEIPTS OF THE SPECIAL SALES AND USE TAX AND THE GENERAL SALES AND USE TAX WILL DEPEND ON NUMEROUS FACTORS, AND THERE CAN BE NO ASSURANCE THAT FUTURE TAX RECEIPTS AVAILABLE TO PAY DEBT SERVICE ON THE BONDS WILL APPROXIMATE SUCH HISTORICAL RESULTS.

PROJECTED MANDATORY REDEMPTIONS

The table under the caption “DEBT SERVICE REQUIREMENTS” does not reflect possible mandatory redemptions of the Bonds from Surplus Tax Receipts, if available. Surplus Tax Receipts are all receipts of the Special Sales and Use Tax in excess of the amount necessary (i) to assure the prompt payment of the principal of and interest on Outstanding Bonds, (ii) to maintain the Debt Service Reserve Fund in an amount equal to the Reserve Requirement, (iii) to pay any arbitrage rebate due under Section 148(f) of the Code, and (iv) to pay Trustee and Paying Agent fees and expenses. THE TABLE BELOW ASSUMES AN ANNUAL GROWTH RATE IN SUCH COLLECTIONS OF 1.00%. THERE CAN BE NO ASSURANCE GIVEN THAT SUCH GROWTH WILL OCCUR OR THAT RECEIPTS OF THE SPECIAL SALES AND USE TAX WILL BE REALIZED IN THE COMPARABLE AMOUNTS ASSUMED IN THE ESTIMATED DEBT SERVICE COVERAGE TABLE ABOVE. See the caption “THE SALES AND USE TAX — *Future Sales and Use Tax Receipts*” herein.

Year Ending May 1 ⁽¹⁾	Principal Due	Bonds Redeemed Prior to Maturity ⁽²⁾	Total Principal Retired
2016	\$ 510,000	\$ -	\$ 510,000
2017	570,000	20,000	590,000
2018	580,000	35,000	615,000
2019	590,000	50,000	640,000
2020	610,000	70,000	680,000
2021	630,000	90,000	720,000
2022	645,000	115,000	760,000
2023	670,000	135,000	805,000
2024	700,000	150,000	850,000
2025	725,000	180,000	905,000
2026	755,000	205,000	960,000
2027	790,000	230,000	1,020,000
2028	825,000	255,000	1,080,000
2029	865,000	285,000	1,150,000
2030	900,000	310,000	1,210,000
2031	945,000	345,000	1,290,000
2032	985,000	375,000	1,360,000
2033	1,030,000	405,000	1,435,000
2034	1,075,000	445,000	1,520,000
2035	1,125,000	480,000	1,605,000
2036	1,175,000	515,000	1,690,000
2037	1,220,000	560,000	1,780,000
2038	1,265,000	595,000	1,860,000
2039	<u>1,310,000</u>	<u>625,000</u>	<u>1,935,000</u>
Totals:	<u>\$20,495,000</u>	<u>\$6,475,000</u>	<u>\$26,970,000</u>

⁽¹⁾ The Bonds are subject to mandatory redemption from Surplus Tax Receipts on each May 1 and November 1. See the caption “THE BONDS — *Redemption*” herein.

⁽²⁾ Assuming fiscal year 2014 sales and use tax receipts (\$3,225,677) during the year ended May 1, 2016, and a one percent (1.00%) growth rate in receipts thereafter

THE CITY

General. The City is a city of the first class organized and existing under the laws of the State of Arkansas. The City is the seat of government of Faulkner County (the “County”) and is among the ten largest cities in the State. The City is located in the central portion of the State and is approximately 35 miles north of Little Rock, Arkansas, the State capitol.

The City is a regional trade and distribution center located on U.S. Interstate 40 and positioned at the intersection of U.S. Highways 64 and 65. A number of State highways serve the area. The City is also served by Cadron Port, a slack water harbor located on the Cadron Creek about one mile from the Arkansas River, and by the

Union Pacific Railroad. The Conway Municipal Airport landing field is adjacent to the City and is equipped for night service with beacon and runway lights. The Little Rock Regional Airport is located approximately 40 minutes from downtown Conway and provides major commercial airline service to points throughout the United States.

The University of Central Arkansas, a State university founded in 1907, which currently has an enrollment of approximately 11,500 students, Hendrix College, a private college founded in 1884, which currently has an enrollment of approximately 1,350 students, and Central Baptist College, founded in 1952, which currently has an enrollment of approximately 800 students, are all located in the City.

The City is served by a 146-bed acute-care medical center, expanded and improved in 1990, 1992, 2000 and 2012.

Government. The City currently operates under the Mayor-Council form of government pursuant to which a mayor, city attorney, city clerk and eight aldermen are elected, two from each of the City's four wards. The mayor, city attorney and city clerk are full-time positions elected to four year terms. Aldermen serve two year terms.

The City's elected officials and the dates on which their respective terms expire are as follows:

Name	Office	Term Expires
Tab Townsell	Mayor	12/31/16
Chuck Clawson	City Attorney	12/31/16
Michael Garrett	City Clerk	12/31/16
David Grimes	Alderman	12/31/18
Andrew Hawkins	Alderman	12/31/16
Theodore Jones, Jr.	Alderman	12/31/16
Mark Ledbetter	Alderman	12/31/16
Shelley Mehl	Alderman	12/31/18
Wesley Pruitt	Alderman	12/31/16
Mary Smith	Alderman	12/31/18
Sheila Whitmore	Alderman	12/31/18

Population. The following is a table of population changes for the City, the County and the State of Arkansas, according to the United States Census Bureau:

Year	City of Conway	Faulkner County	State of Arkansas
1960	9,791	24,303	1,786,272
1970	15,510	31,578	1,923,322
1980	20,375	46,192	2,286,435
1990	26,481	60,006	2,350,624
2000	43,167	86,014	2,673,400
2010	59,908	113,237	2,915,918

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

Year	Faulkner County	State of Arkansas
2004	\$25,534	\$25,724
2005	26,478	26,681
2006	27,748	28,473
2007	30,149	30,177
2008	31,008	32,257
2009	31,272	31,646
2010	31,671	32,017
2011	33,217	34,089
2012	34,472	36,423
2013	34,260	36,698

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

Retail sales figures for Faulkner County and the State are as follows:

Year	Faulkner County	State of Arkansas	County as % of State of Arkansas
2004	\$ 941,196,000	\$31,463,983,000	2.991%
2005	1,025,443,000	34,290,412,000	2.990%
2006	1,293,415,000	38,843,312,000	3.329%
2007	1,555,735,000	43,504,752,000	3.576%
2008	1,637,728,000	43,820,789,000	3.737%
2009	1,519,595,703	39,251,552,036	3.870%
2010	1,428,261,387	38,330,197,315	3.730%
2011	1,607,698,680	42,160,822,404	3.813%
2012	1,604,331,734	42,262,643,705	3.796%
2013	2,149,223,562	45,797,494,447	4.693%

Source: Sales and Marketing Management Survey of Buying Power for 2004-2008, and Nielsen Claritas for 2009-2013.

Unemployment figures for the County and the State of Arkansas, according to the Arkansas Department of Workforce Services, has averaged as follows:

Year	Faulkner County	State of Arkansas
2008	4.4%	5.1%
2009	6.4	7.3
2010	7.2	7.9
2011	7.0	8.0
2012	6.7	7.5
2013	7.0	7.5
2014	5.1	5.6

* December, 2014 only; preliminary, not seasonally adjusted.

Some of the major employers in the City, their products and services and average employment range are as follows:

Employer	Product or Service	Employee Range
Axciom Corporation	Information Technology	1,000-2,499
Southwestern Energy Corporation	Natural Gas Exploration	1,000-2,499
University of Central Arkansas	Education	1,000-2,499
Conway Regional Medical Center	Healthcare	1,000-2,499
Conway Human Development Center	Institutional Care	1,000-2,499
Conway Public School District	Education	1,000-2,499
Hewlett Packard	Tech Support & Sales	500-999
Wal-Mart	Department Store	500-999
Virco Manufacturing	Institutional Furniture	500-999
Nabholz Companies	Construction	500-999
Kimberly Clark Corporation	Personal Hygiene Products	500-999
Snap-On Equipment	Diagnostic Equipment	500-999
City of Conway	Government	300-499
Hendrix College	Education	300-499
TOKUSEN, U.S.A., Inc.	Steel tire cord	300-499
Kroger	Grocery Store	300-499
Rock-Tenn Co.	Folding Cartons	300-499

Source: Conway Development Corporation.

The following table shows the total assessed value of non-utility real and personal property within the City for the years indicated:

Year	Real Property	Personal Property	Total
2005	\$459,556,468	\$165,109,460	\$ 624,665,928
2006	500,646,443	175,889,160	676,535,603
2007	543,880,100	189,151,090	733,031,190
2008	599,098,960	206,668,230	805,767,190
2009	630,885,331	203,411,340	834,296,671
2010	662,627,856	205,941,110	868,568,966
2011	705,791,762	222,582,300	928,374,062
2012	728,382,645	232,876,600	961,259,245
2013	754,745,406	241,487,490	996,232,896
2014	770,031,399	246,188,760	1,016,220,159

Source: Faulkner County Tax Assessor’s Office. The assessed value represents 20% of the appraised value of property.

Building permits issued by the City are shown below for the years indicated:

	2011	2012	2013	2014
Residential Building Permits	152	186	147	119
Commercial Building Permits	12	52	29	41
Value of All Building Permits	\$128,967,240	\$146,985,453	\$105,284,445	\$140,385,501

Source: City of Conway

THE SALES AND USE TAXES

Generally. The Special Sales and Use Tax and the General Sales and Use Tax (collectively, the “Sales and Use Taxes”) have been levied under the Election Ordinance and Ordinance No. O-11-108 adopted on December 13, 2011, respectively, pursuant to the authority of the Local Government Bond Act and the Municipal General Sales and Use Tax Act. The Sales and Use Taxes are taxes levied within the City on all items which are subject to taxation under The Arkansas Gross Receipts Act of 1941 and taxes levied on the receipts from storing, using or consuming tangible personal property under The Arkansas Compensating (Use) Tax Act of 1949. The Sales and Use Taxes are collected only on the first \$2,500 of gross receipts, gross proceeds or sales price from any single transaction. Pursuant to the Indenture and the Authorizing Ordinance, the City has pledged the receipts of the Sales and Use Taxes to the payment of the Bonds. Collection of the General Sales and Use Tax commenced on July 1, 2012. Collection of the Special Sales and Use Tax will commence on July 1, 2015. See “Appendix B – THE SALES AND USE TAXES” for a detailed description of the property and services subject to sales and use taxation and the exemptions therefrom.

Administration. Pursuant to State law, the Commissioner of Revenues of the State (the “Commissioner”) performs all functions incidental to the administration, collection, enforcement and operation of the Sales and Use Taxes. All receipts of the Sales and Use Taxes collected, less certain charges payable and retainage due the Commissioner for administrative services in the amount of 3% of the gross receipts of the Sales and Use Taxes, shall be remitted by the State Treasurer to the Trustee monthly. See the caption “SUMMARY OF THE INDENTURE – Application of Sales and Use Tax Receipts” herein.

Future Receipts of the Sales and Use Taxes. Receipts of the Sales and Use Taxes will be contingent upon the sale and use of property and services within the City, which activity is generally dependent upon economic conditions within the City and the surrounding trade area. Also, receipts of the Sales and Use Taxes may be affected by changes to transactions exempted from the Sales and Use 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 sales and use taxes, such as food sales, which, if adopted, would materially reduce receipts of the Sales and Use Taxes. The City has no control over actions of the General Assembly or the people of the State and cannot predict whether changes to the Sales and Use

Taxes may be made. **Accordingly, the City cannot predict with certainty the expected amount of receipts of the Sales and Use Taxes to be received and, therefore, there can be no assurance that receipts of the Sales and Use Taxes will be sufficient to pay the principal of and interest on the Bonds.**

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in this Official Statement:

“Account” means an Account established by Article V of the Indenture.

“Amendment 62” means Amendment No. 62 to the Constitution of Arkansas, approved by the voters of the State on November 6, 1984.

“Annual Debt Service” means, with respect to all or any particular amount of Bonds, the Debt Service for any particular Fiscal Year required to be paid or set aside during such Fiscal Year, less the amount of such payment which is provided from the proceeds of the sale of the Bonds.

“Authorized Representative” means either the Mayor, Finance Officer or City Clerk and such additional persons as from time to time may be designated to act on behalf of the City by a Certificate furnished to the Trustee containing the specimen signature thereof and executed on behalf of the City by its Mayor.

“Authorizing Ordinance” means Ordinance No. O-15-26, adopted by the City on March 10, 2015, which authorized the issuance of the Bonds pursuant to the Indenture.

“Beneficial Owner” means any Person who acquires beneficial ownership interest in a Bond held by the Securities Depository. In determining the Beneficial Owner of any Bond, the Trustee may rely exclusively upon written representations made and information given to the Trustee by the Securities Depository or its Participants with respect to any Bond held by the Securities Depository in which a beneficial ownership interest is claimed.

“Bond Counsel” means any firm of nationally recognized municipal bond counsel selected by the City and acceptable to the Trustee.

“Bond Fund” means the fund by that name created and established in the Indenture.

“Bonds” means the City’s Sales and Use Tax Capital Improvement and Refunding Bonds, Series 2015, issued under and secured pursuant to the Indenture.

“Book-Entry System” means the book-entry system maintained by the Securities Depository and described in the Indenture.

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York, or the city in which the corporate trust office of the Trustee is located are authorized or required by law or executive order to close, or (c) a day on which the New York Stock Exchange or the Securities Depository is closed.

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

“City” means the City of Conway, Arkansas, a municipality and political subdivision under the laws of the State of Arkansas.

“City Clerk” means the person holding the office and performing the duties of the City Clerk of the City.

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

“Code” means the Internal Revenue Code of 1986, as from time to time amended, and applicable regulations issued or proposed thereunder.

“Completion Date” means the date upon which the Project is first ready for normal continuous operation and use.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement between the City and the Dissemination Agent, dated the date of issuance and delivery of the Bonds, as originally executed and as amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale and issuance of the Bonds, including, but not limited to, underwriting

discounts, fees and expenses, election expenses, publication expenses, expenses of printing, reproducing, filing and recording documents, initial fees and charges of the Dissemination Agent, the Trustee and any Paying Agent, fees and expenses for legal, accounting and other professional services, rating fees, costs of securing any credit enhancement for the Bonds, costs of execution, transportation and safekeeping of the Bonds, and other costs, charges and fees incurred in connection with the foregoing.

“Costs of Issuance Fund” means the fund by that name created and established in the Indenture.

“Debt Service” means, with respect to all or any particular amount of Bonds, the total as of any particular date of computation and for any particular period of the scheduled amount of interest and amortization of principal payable on such Bonds, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Debt Service Reserve Fund” means the fund by that name created and established in the Indenture.

“Dissemination Agent” means the entity designated as dissemination agent in the Continuing Disclosure Agreement, and its successor or successors as such Dissemination Agent. The original Dissemination Agent is Regions Bank, Little Rock, Arkansas.

“Election Ordinance” means Ordinance No. O-14-48, adopted by the City Council on June 10, 2014, pursuant to which there was submitted to the qualified electors of the City the question of the issuance of the Bonds and the levy of the Special Sales and Use Tax.

“Event of Default” means any event of default specified in Section 801 of the Indenture.

“Fiscal Year” means the 12-month period used, at any time, by the City for accounting purposes, which may be the calendar year.

“Fund” means a fund established by the Indenture.

“General Sales and Use Tax” means the one-eighth of one percent (0.125%) city-wide sales and use tax authorized under the Municipal General Sales and Use Tax Act which has been levied within the City pursuant to Ordinance No. O-11-108 adopted December 13, 2011, the collection of which tax commenced on July 1, 2012, as approved by the voters of the City. Receipts of the General Sales and Use Tax are pledged to the payment of Debt Service on the Bonds, but will be utilized only to the extent needed after application of receipts of the Special Sales and Use Tax.

“Government Securities” means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Holder” or “Bondholder” or “owner of the Bonds” means the registered owner of any Bond.

“Indenture” means the Trust Indenture dated as of April 15, 2015, between the City and the Trustee, pursuant to which the Bonds are issued, and any amendments and supplements thereto.

“Investment Securities” means, if and to the extent the same are at the time legal for investment of Funds and Accounts held under the Indenture:

(a) Government Securities;

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

(1) U.S. Export-Import Bank (Eximbank) – direct obligations or fully guaranteed certificates of beneficial ownership;

(2) Farmers Home Administration (FmHA) – certificates of beneficial ownership;

(3) Federal Financing Bank;

(4) Federal Housing Administration Debentures (FHA);

(5) General Services Administration – participation certificates;

- (6) Government National Mortgage Association (GNMA or “Ginnie Mae”) –
 - (a) GNMA – guaranteed mortgage-backed bonds
 - (b) GNMA – guaranteed pass-through obligations;
 - (7) U.S. Maritime Administration – guaranteed Title XI financing; and
 - (8) U.S. Department of Housing and Urban Development (HUD) – Project Notes; Local Authority Bonds; New Communities Debentures – U.S. government guaranteed debentures; U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds;
- (c) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):
- (1) Federal Home Loan Bank System – senior debt obligations;
 - (2) Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”) – participation certificates and senior debt obligations;
 - (3) Federal National Mortgage Association (FNMA or “Fannie Mae”) – mortgage-backed securities and senior debt obligations;
 - (4) Student Loan Marketing Association (SLMA or “Sallie Mae”) – senior debt obligations;
 - (5) Resolution Funding Corp. (REFCOPR) obligations; and
 - (6) Farm Credit System – consolidated systemwide bonds and notes;
- (d) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G, AAA-m or AA-m, and if rated by Moody’s rated Aaa, Aa1 or Aa2;
- (e) certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral;
- (f) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF; and
- (g) bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies.

“Local Government Bond Act” means the Local Government Bond Act of 1985, codified as Arkansas Code Annotated (1998 Repl. & Supp. 2013) Sections 14-164-301 *et seq.*, as from time to time amended.

“Mayor” means the person holding the office and performing the duties of the Mayor of the City.

“Moody’s” means Moody’s Investors Service.

“Municipal General Sales and Use Tax Act” means the Municipal General Sales and Use Tax Act of 1981, codified as Arkansas Code Annotated (2008 Repl. & Supp. 2013) Sections 26-75-201 *et seq.*, as from time to time amended.

“Original Purchaser” means the first purchaser(s) of the Bonds from the City.

“Outstanding” means, as of any date of computation, Bonds theretofore or thereupon being delivered under the Indenture, except:

- (a) Bonds cancelled at or prior to such date or delivered to or acquired by the Trustee at or prior to such date for cancellation;
- (b) Bonds deemed to be paid in accordance with Article VII of the Indenture; and
- (c) Bonds in lieu of or in exchange or substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture.

“Parity Indebtedness” means indebtedness of the City issued on a parity of security with the Bonds as to the pledge of the receipts of the General Sales and Use Tax in compliance with Section 212 of the Indenture.

“Participants” means those financial institutions for which the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository in the Book-Entry System, as such listing of Participants exists at the time of such reference.

“Paying Agent” means any bank or trust company named by the City as the place at which the principal of and premium, if any, and interest on the Bonds are payable.

“Person” means any natural person, firm, association, corporation, limited liability company, partnership, joint stock company, joint venture, trust, unincorporated organization or firm, or a government or any agency or political subdivision thereof or other public body.

“Prior Bonds” means the City’s Sales and Use Tax Capital Improvement and Refunding Bonds, Series 2012, issued in the original principal amount of \$11,255,000. The Prior Bonds are being refunded in whole with a portion of the proceeds of the Bonds and other available moneys.

“Project” means the construction, extension and improvement of City streets, as described in the Election Ordinance and eligible for financing with the proceeds of the Bonds.

“Project Costs” means, to the extent permitted by the Local Government Bond Act or other applicable laws, with respect to the Projects, all costs of planning, designing, purchasing, acquiring, constructing, improving, enlarging, extending, repairing, financing and placing in operation, including obtaining governmental approvals, certificates, permits and licenses with respect thereto, heretofore or hereafter paid or incurred by or on behalf of the City and which shall include, but shall not be limited to:

- (a) preliminary investigation and development costs, engineering fees, contractors’ fees, labor costs, the cost of materials, equipment, utility services and supplies, costs of obtaining permits, licenses and approvals, costs of real property, insurance premiums, legal and financing fees and costs, administrative and general costs, and all other costs properly allocable to the acquisition, construction and equipping of the Projects and placing the same in operation;
- (b) all costs relating to injury and damage claims arising out of the acquisition, construction or equipping of the Projects;
- (c) all other costs incurred in connection with, and properly allocable to, the acquisition, construction and equipping of the Projects; and
- (d) amounts to pay or reimburse the City or any City fund for expenses of the City incident and properly allocable to such planning, designing, purchasing, acquiring, constructing, improving, enlarging, extending, repairing, financing and placing in operation of the Projects.

“Project Fund” means the fund by that name created and established in the Indenture.

“Rebate Fund” means the fund by that name created and established in the Indenture.

“Record Date” means the fifteenth day of the calendar month preceding the calendar month in which an interest payment date on the Bonds occurs.

“Redemption Fund” means the fund by that name established in the Indenture.

“Requisition” means a written requisition of the City, consecutively numbered, signed by an Authorized Representative including, without limitation, the following with respect to each payment requested:

- (i) the name of the Person or party to whom payment is to be made and the purpose of the payment,
- (ii) the amount to be paid thereunder;
- (iii) that such amount has not been previously paid by the City and is justly due and owing to the Person(s) named therein as a proper payment or reimbursement of a Project Cost; and
- (iv) that no Event of Default exists under the Indenture and that, to the knowledge of the Authorized Representative, no event has occurred and continues which with notice or lapse of time or both would constitute an Event of Default under the Indenture.

“Reserve Requirement” means an amount equal to the lesser of (i) 5% of the original stated principal amount of the Bonds or (ii) 50% of the maximum Annual Debt Service with respect to the Bonds. For all purposes of the Indenture, the Reserve Requirement may be satisfied by the deposit of cash or by the deposit of Investment Securities.

“Revenue Fund” means the fund by that name created and established in the Indenture.

“S&P” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc.

“Securities Depository” means The Depository Trust Company, New York, New York, or its nominee, and its successors and assigns, or any other depository institution appointed by the City or the Trustee to act as depository for the Bonds in connection with the Book-Entry System.

“Special Sales and Use Tax” means the one-eighth of one percent (0.125%) city-wide sales and use tax authorized under the Local Government Bond Act which has been levied within the City pursuant to the Election Ordinance, the collection of which tax will commence on July 1, 2015, as approved by the voters of the City. Receipts of the Special Sales and Use Tax are pledged to the payment of Debt Service on the Bonds.

“State” means the State of Arkansas.

“Supplemental Indenture” means any indenture supplemental to or amendatory of the Indenture.

“Surplus Tax Receipts” shall have the meaning ascribed to such term under subsection (e) of the caption “SUMMARY OF THE INDENTURE – *Funds and Accounts*” herein.

“Tax Regulatory Agreement” means that Tax Regulatory Agreement of the City relating to maintenance of the excludability of interest on the Bonds from gross income for federal income tax purposes, delivered in connection with the issuance of the Bonds.

“Trustee” means the banking corporation or association designated as Trustee in the Indenture, and its successor or successors as such Trustee. The original Trustee is Regions Bank, Little Rock, Arkansas.

“Trust Estate” means the property described in the granting clauses of the Indenture.

SUMMARY OF THE INDENTURE

The following statements are brief summaries of certain provisions of the Indenture. The statements do not purport to be complete, and reference is made to the Indenture, copies of which are available for examination at the offices of the City Clerk, for a full statement thereof.

Funds and Accounts. Receipts of the Special Sales and Use Tax and the General Sales and Use Tax are pledged by the Indenture to the payment of the principal of and interest on the Bonds. The following Funds and Accounts have been established with the Trustee in connection with the Bonds:

Funds and Accounts

Revenue Fund, and a Special Tax Account and a General Tax Account therein
Bond Fund
Debt Service Reserve Fund
Redemption Fund
Project Fund
Cost of Issuance Fund
Rebate Fund

Application of Sales and Use Receipts. The application of receipts of the Special Sales and Use Tax and the General Sales and Use Tax is as follows:

(a) Revenue Fund. All receipts of the Special Sales and Use Tax and the General 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 Special 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, to the payment of any arbitrage rebate

due 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 Special 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 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 General Tax Account of the Revenue Fund. Following such monthly transfers from the General Tax Account or a determination that no such transfers are required, all remaining amounts in the General Tax Account shall be transferred by the Trustee to or at the direction of the City and may be expended for any legal municipal purpose.

(b) Bond Fund. Upon receipt, but in no event later than the last day of each month in which receipts of the Special Sales and Use Tax or the General 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 on the Bonds due on the next principal payment 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 Indenture. 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.

If amounts in the Revenue Fund are insufficient to make the required monthly 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 last day of the next succeeding month.

When the moneys held in the Special Tax Account of the Revenue Fund, the Bond Fund, the Debt Service Reserve Fund and the Redemption Fund shall be and remain sufficient to pay in full the principal of and interest on all Bonds then Outstanding in accordance with the Indenture, 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 Special Sales and Use Tax shall cease.

(c) Debt Service Reserve Fund. See the caption “SECURITY FOR THE BONDS – *Debt Service Reserve*” herein.

(d) Rebate Fund. The Trustee shall establish and maintain, separate and apart from any other Funds and Accounts established and maintained under the Indenture, 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 sixty (60) days after the date on which the last Bond is redeemed, shall be transferred to the Revenue Fund.

(e) Redemption Fund. After making the required deposits into the Bond Fund, into the Debt Service Reserve Fund, and into the Rebate Fund, and after paying the fees and expenses of the Trustee and any Paying Agent, there shall be paid from the Special Tax Account of the Revenue Fund into the Redemption Fund all remaining moneys in said Special Tax Account (the “Surplus Tax Receipts”). Moneys in the Redemption Fund shall be transferred to the Principal Account of the Bond Fund at such times as may be necessary to effectuate redemptions of the Bonds on the first available redemption date and to cure deficits in monthly transfers, as described under the subcaption “– *Funds and Accounts–Revenue Fund*” above. See the captions “THE BONDS – *Redemption*” and “PROJECTED MANDATORY REDEMPTIONS” herein.

(f) Project Fund. A portion of the proceeds of the Bonds shall be deposited in the Project Fund. See the caption “SOURCES AND USES OF FUNDS” herein. Amounts in the Project Fund shall be expended only for the payment of Project Costs upon the 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 Redemption Fund for application to the retirement of the Bonds by redemption or purchase. See the caption “THE BONDS – *Redemption*” herein.

(g) 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 a 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.

Investment of Funds. At the direction of the City, the Trustee shall invest moneys in Funds or Accounts held by the Trustee in Investment Securities with maturity or redemption dates consistent with the times at which said moneys will be required for the purposes provided in the Indenture. Moneys in separate Funds or Accounts may be commingled for the purpose of investment.

Obligations purchased as an investment of moneys in any Fund or Account created by the Indenture shall be deemed at all times to be a part of such Fund or Account, and any income or loss due to an investment thereof shall be charged to the respective Fund or Account for which the investment was made except as otherwise provided in the Indenture.

Valuation of Funds and Accounts. In determining the value of any Fund or Account held by the Trustee under the Indenture, the Trustee shall credit Investment Securities at the fair market value thereof, as determined by the Trustee by any method selected by the Trustee in its reasonable discretion. No less frequently than annually, and in any event within thirty (30) days prior to the end of each Fiscal Year, the Trustee shall determine the value of each Fund and Account held under the Indenture and shall report such determination to the City.

The Trustee shall sell or present for redemption any Investment Securities as necessary in order to provide money for the purpose of making any payment required under the Indenture, and the Trustee shall not be liable for any loss resulting from any such sale.

Responsibility of Trustee. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of moneys made by it at the direction of the City.

Instruments of Further Assurance. At any and all times the City shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, ordinances, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming of all and singular the receipts from the Special Sales and Use Tax and the General Sales and Use Tax and all other moneys pledged or assigned by the Indenture, or intended so to be, or which the City may become bound to pledge or assign.

Tax Covenants. The City shall not use or permit the use of any Bond proceeds or any other funds of the City, directly or indirectly, in any manner, and will not take or permit to be taken any other action or actions which would adversely effect the exclusion of interest on any Bond from gross income for federal income tax purposes. No part of the proceeds of the Bonds shall at any time be used, directly or indirectly, to acquire securities or obligations the acquisition of which would cause any of such Bonds to be an "arbitrage bond" as defined in Sections 148(a) and (b) of the Code. The City agrees that so long as any of the Bonds remain Outstanding, it will comply with the provisions of the Tax Regulatory Agreement.

Defeasance. Any Bond shall be deemed to be paid within the meaning of the Indenture when payment of the principal of and premium, if any, and interest on such Bond (whether at maturity or upon redemption as provided in the Indenture, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment or (2) Government Securities (provided that such deposit will not affect the tax-exempt status of the interest on any of the Bonds or cause any of the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148(a) of the Code, as reflected in an opinion of Bond Counsel delivered to the Trustee), 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 and any Paying Agent pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee and any said Paying Agent.

Events of Default. Each of the following events shall constitute and is referred to in the Indenture as an "Event of Default":

- (a) Default in the due and punctual payment of any interest on any Bond;
- (b) Default in the due and punctual payment of the principal of or premium, if any, on any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;

(c) Default in the payment of any other amount required to be paid under the Indenture or the performance or observance of any other of the covenants, agreements or conditions contained in the Indenture, or in the Bonds issued under the Indenture, and continuance thereof for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied, shall have been given to the City by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding, unless the Trustee, or the Trustee and Holders of an aggregate principal amount of Bonds not less than the aggregate principal amount of Bonds the Holders of which requested such notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within such period and is being diligently pursued;

(d) The filing of a petition in bankruptcy by or against the City under the United States Bankruptcy Code or the commencement of a proceeding by or against the City under any other law concerning insolvency, reorganization or bankruptcy; and

(e) If the State has limited or altered the rights of the City pursuant to the Local Government Bond Act or the Municipal General Sales and Use Tax Act, as in force on the date of the Indenture, to fulfill the terms of any agreements made with the Trustee or the Bondholders or in any way impaired the rights and remedies of the Trustee or the Bondholders while any Bonds are Outstanding.

The term "default" as used in clauses (a), (b) and (c) above shall mean default by the City in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture, or in the Bonds Outstanding thereunder, exclusive of any period of grace required to constitute a default an "Event of Default" as described above.

Acceleration. Upon the occurrence of an Event of Default, the Trustee may, and upon the written request of the Holders of not less than 51% in aggregate principal amount of Bonds Outstanding shall, by notice in writing delivered to the City, declare the principal of all Bonds then Outstanding, together with any premium and the interest accrued thereon, immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

Other Remedies; Rights of Bondholders. Upon the occurrence of an Event of Default, the Trustee may, as an alternative, pursue any available remedy by suit at law or in equity, including, without limitation, mandamus to enforce the payment of the principal of and premium, if any, and interest on the Bonds then Outstanding.

If an Event of Default shall have occurred, and if it shall have been requested so to do by the Holders of 51% in aggregate principal amount of Bonds Outstanding and if it shall have been indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred upon it by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders.

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

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default under the Indenture, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Rights and Remedies of Bondholders. No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless a default has occurred of which the Trustee has been notified as provided in the Indenture, or of which by the Indenture it is deemed to have notice, nor unless such default shall have become an Event of Default and the Holders of not less than 51% in aggregate principal amount of Bonds Outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit, or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in the Indenture

nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted, or to institute such action, suit, or proceeding in its own name; and such notification, request and offer of indemnity are declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture or for the appointment of a receiver or for any other remedy thereunder; it being understood and intended that no one or more Holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by action of the Holder or Holders or to enforce any right under the Indenture except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, held and maintained in the manner therein provided for the equal benefit of the Holders of all Bonds Outstanding thereunder. Nothing in the Indenture contained shall, however, affect or impair the right of any Bondholders to enforce the payment of the principal of and premium, if any, and interest on any Bonds at and after the maturity thereof, or the obligation of the City to pay the principal of and premium, if any, and interest on each of the Bonds issued under the Indenture to the respective Holders thereof at the time and place in said Bonds expressed.

Supplemental Indentures Not Requiring Consent of Bondholders. The City and the Trustee may, from time to time and at any time, without the consent of or notice to the Bondholders, enter into Supplemental Indentures as follows:

- (a) to cure any formal defect, omission, inconsistency or ambiguity in the Indenture;
- (b) to grant to or confer or impose upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Indenture as theretofore in effect, provided that no such additional liabilities or duties shall be imposed upon the Trustee without its consent;
- (c) to add to the covenants and agreements of, and limitations and restrictions upon, the City in the Indenture other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (d) to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Indenture, of the Trust Estate or of any other moneys, securities or funds;
- (e) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;
- (f) to make such additions, deletions or modifications as may be necessary to assure compliance with Section 148(f) of the Code relating to required rebate to the United States or otherwise as may be necessary to assure exemption from federal income taxation of interest on the Bonds; or
- (g) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondholders and which does not involve a change described in clause (a), (b), (c), (d), (e) or (f) above and which, in the judgment of the Trustee, is not to the prejudice of the Trustee.

Supplemental Indentures Requiring Consent of Bondholders. Subject to the terms and provisions contained in this paragraph, and not otherwise, the Holders of not less than 2/3 in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the City and the Trustee of such indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the City for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing contained in the Indenture shall permit or be construed as permitting (a) an extension of the maturity (or mandatory redemption date) of the principal of or the interest on any Bond issued thereunder, or (b) a reduction in the principal amount of or redemption premium or rate of interest on any Bond issued thereunder, or (c) the creation of any lien on the Trust Estate or any part thereof, except as expressly permitted in the Indenture, 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 Indenture, or (f) depriving the Holder of any Bond then Outstanding of the lien created on the Trust Estate.

If, at any time the City shall request the Trustee to enter into any Supplemental Indenture for any of the purposes described above, the Trustee shall, at the expense of the City, cause notice of the proposed execution of such Supplemental Indenture to be mailed by first class mail to each registered owner of the Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the designated office of the Trustee for inspection by Bondholders. The Trustee shall not, however, be subject to

any liability to any Bondholder by reason of its failure to mail such notice, and any such failure shall not affect the validity of such Supplemental Indenture when consented to and approved as provided above. If the Holders of not less than 2/3 in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the City from executing the same or from taking any action pursuant to the provisions thereof.

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

The City has entered into an undertaking in the form of the Continuing Disclosure Agreement as required by the Indenture for the benefit of the Beneficial Owners of the Bonds to cause certain financial information to be sent to certain information repositories annually and to cause notice to be sent to such information repositories of certain specified events, pursuant to the requirements of Section (b)(5)(i) of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended (the "Rule").

The City is a party to multiple continuing disclosure agreements for various bond issues of the City secured by specified revenue sources. Except as set forth below, the City has, to the best of its knowledge, for the past five years, been in compliance in all material respects with the provisions in such agreements to which it is a party requiring that it file certain financial information and financial statements and certain listed events with the MSRB.

With respect to the City's continuing disclosure undertakings for bonds secured by wastewater revenues, audited financial statements for the year ended December 31, 2010 were filed 292 days later than the date that such statements were due under the terms of the applicable continuing disclosure agreements. Further, with respect to the supplemental operating and financial data required in connection with certain of the wastewater revenue bonds for the fiscal year 2010, said filing was 1,092 days late. Further, the 2009, 2011 and 2012 supplemental operating and financial data did not contain all of the information required. Supplemental filings have been made containing all of the required information described above. There was no event filing made of the notice of redemption of the City's Series 2004 Bonds, which are no longer outstanding.

With respect to the City's continuing disclosure obligations for bonds secured by water revenues, supplemental operating and financial data for the fiscal year 2009 required in connection with two issues was not filed. In addition, there were no event filings made of the various changes in the ratings of the insurers of these two issues. Because said issues are no longer outstanding, no corrective action has been taken.

With respect to the City's obligations secured by franchise fee revenues, audited financial statements for the years ended December 31, 2009, 2010 and 2011 and unaudited financial statements for the year ended December 31, 2012 were filed later (ranging from 9 days late to 498 days late) than the dates that such statements were due under the terms of the applicable continuing disclosure agreements. Further, with respect to the supplemental operating and financial data required in connection with certain of the franchise fee revenue bonds for the fiscal years 2009, 2010 and 2012, filings were late (ranging from 9 days late to 488 days late) or did not contain all of the information required. Supplemental filings have been made containing all of the aforementioned information. Event filings of various insurer ratings changes were not posted with respect to an issue of franchise fee revenue bonds which is no longer outstanding.

With respect to the City's obligations secured by sales and use tax receipts, audited financial statements for the years ended December 31, 2009 and 2010 and unaudited financial statements for the year ended December 31, 2012 were filed later (ranging from 72 days late to 365 days late) than the dates that such statements were due under the terms of the applicable continuing disclosure agreements. Further, with respect to the supplemental operating and financial data required in connection with certain of the sales and use tax bonds for the fiscal years 2009, 2010 and 2012, filings were late (ranging from 2 days late to 488 days late). Event filings of various insurer ratings changes were not posted with respect to issue of sales and use tax bonds which is no longer outstanding.

With respect to the City's obligations secured by hotel and restaurant gross receipt tax receipts, audited financial statements for the years ended December 31, 2009, 2010 and 2011 were filed later (ranging from 72 days late to 499 days late) than the dates that such statements were due under the terms of the applicable continuing disclosure agreement. Further, with respect to the supplemental operating and financial data required in connection with said bonds for the fiscal years 2009 and 2010, filings were late (ranging from 122 days late to 488 days late). Event filings of various insurer ratings changes were not timely posted with respect to an outstanding issue of hotel and restaurant gross receipts tax bonds. An event filing describing said ratings changes has been posted.

The City has undertaken steps to ensure future compliance with its continuing disclosure undertakings.

The Continuing Disclosure Agreement contains the following covenants and provisions:

(a) The City covenants that it will disseminate, or will cause the Dissemination Agent to disseminate, the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth in Exhibit I to the Continuing Disclosure Agreement) by delivering such Annual Financial Information to the MSRB within 180 days of the completion of the City's fiscal year. Audited Financial Statements, if available, shall be filed with the MSRB at the same time as the Annual Financial Information. If not then available, unaudited financial statements shall be included with the MSRB filing, and Audited Financial Statements shall be provided to the MSRB within ten (10) business days after availability thereof to the City. The City is required to deliver or cause delivery of such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

(b) If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate or cause dissemination of a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

(c) If any amendment is made to the Continuing Disclosure Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

(d) The City covenants that it will disseminate or cause dissemination in a timely manner, not in excess of ten (10) business days after the occurrence of the event, of Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under the Continuing Disclosure Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Bonds pursuant to the Indenture. The City is required to deliver or cause delivery of such Listed Events Disclosure in the same manner as provided for Annual Financial Information and Audited Financial Statements.

(e) The City shall give notice in a timely manner or shall cause such notice to be given by the Dissemination Agent, not in excess of ten (10) business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due.

(f) The Continuing Disclosure Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, the Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, if any, the Trustee and the Beneficial Owners of the Bonds, and shall create no rights in any other person or entity. In the event of a failure of the City to comply with any provision of the Continuing Disclosure Agreement, the Beneficial Owner of any Bond may seek specific performance by court order to cause the City to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture or any other agreement, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

(g) The Undertaking of the City pursuant to the Continuing Disclosure Agreement shall be terminated hereunder when the City shall no longer have any legal liability for any obligation on or relating to the repayment of the Bonds. The City shall give notice to the MSRB, or shall cause the Dissemination Agent to give such notice, in a timely manner and in Prescribed Form in such event.

(h) The City and the Dissemination Agent may amend the Continuing Disclosure Agreement, and any provision of the Continuing Disclosure Agreement may be waived, if (i) the amendment or waiver is 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 the City or type of business conducted; (ii) the Continuing Disclosure Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) the amendment or waiver does not materially impair the interests of the Beneficial Owners of the Bonds, as determined either by parties unaffiliated with the City (such as the Trustee) or by an approving vote of the Beneficial Owners of the Bonds holding a majority of the aggregate principal amount of the Bonds (excluding Bonds held by or on behalf of the City or its affiliates) pursuant to the terms of the Indenture at the time of the amendment; or (iv) the amendment or waiver is otherwise permitted by the Rule.

(i) The following terms used under this caption shall have the meanings set forth below:

“Annual Financial Information” means receipts of the General Sales and Use Tax and the Special Sales and Use Tax during the City’s most recent fiscal year and redemptions of the Bonds during the City’s most recent fiscal year.

“Annual Financial Information Disclosure” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in subsection (a) above.

“Audited Financial Statements” means the audited consolidated financial statements of the City, prepared pursuant to generally accepted accounting standards and as described in Exhibit I to the Continuing Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Commission” means the U.S. Securities and Exchange Commission.

“Dissemination Agent” shall mean Regions Bank, Little Rock, Arkansas, acting in its capacity as a dissemination agent under the Continuing Disclosure Agreement, 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” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Listed Event” means the occurrence of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Nonpayment-related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the City;
- (xiii) The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

“Listed Events Disclosure” means dissemination of a notice of a Listed Event as set forth in subsection (d) above.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the 1934 Act.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

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

“*State*” means the State of Arkansas.

“*Undertaking*” means the obligations of the City pursuant to subsections (a) and (d) above.

UNDERWRITING

Under a bond purchase agreement entered into by and among the City and Stephens Inc. and Crews & Associates, Inc. (the “Underwriters”), the Bonds are being purchased at a purchase price of \$27,719,220.35 (representing the stated principal amount of the Bonds plus a net reoffering premium of \$978,465.35 and less an underwriting discount of \$229,245.00) plus accrued interest, if any, from April 15, 2015 to the date of delivery of the Bonds. The bond purchase agreement provides that the Underwriters will purchase all of the Bonds if any are purchased. The obligation of the Underwriters to accept delivery of the Bonds is subject to various conditions contained in the bond purchase 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 condition of the City.

The Underwriters intend to offer the Bonds to the public initially at the offering prices as set forth on the inside cover page of this Official Statement, which offering prices (or bond yields establishing such offering prices) may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public, and may offer the Bonds to such dealers and other underwriters at a price below the public offering price.

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

TAX MATTERS

Federal Income Taxes. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excluded from the gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with such requirements.

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

Original Issue Discount. The Bonds maturing May 1, 2040 and 2044 (the “Discount Bonds”) are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

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

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

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

Original Issue Premium. The Bonds maturing May 1, 2016 through May 1, 2035 (the "Premium Bonds") are being sold at a premium. 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.

Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

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

Changes to Federal Tax Law. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Bonds. 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. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular lawsuit will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors

regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

State Taxes. Bond Counsel is of the opinion that, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from all state, county and municipal taxes in the State of Arkansas.

RATING

Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P"), has given the Bonds the rating of "AA-" (stable outlook). Such rating reflects only the view of S&P at the time such rating was given. An explanation of the significance of the rating may be obtained from S&P. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by S&P if in its judgment circumstances so warrant. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Neither the City nor the Underwriters have undertaken any responsibility subsequent to the issuance of the Bonds to assure the maintenance of the rating or to oppose any revision or withdrawal of the rating. No application has been made to any Rating Agency other than S&P for a rating on the Bonds.

LEGAL MATTERS

Legal Opinions. Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Kutak Rock LLP, Little Rock, Arkansas, Bond Counsel, a copy of whose approving opinion will be delivered with the Bonds and a form of which is attached hereto as Appendix A. Certain legal matters will be passed upon for the City by its counsel, Chuck Clawson, Esq., City Attorney.

Litigation. There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Bonds or questioning or affecting the legality of the Bonds or the proceedings and authority under which the Bonds are to be issued, or questioning the right of the City to issue the Bonds. There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the City in any way which could have a material adverse effect on the Special Sales and Use Tax or the General Sales and Use Tax or the City's ability to pay debt service with respect to the Bonds.

MISCELLANEOUS

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

ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT

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 City, this Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated herein, or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement has been duly authorized by the City of Conway, Arkansas.

CITY OF CONWAY, ARKANSAS

By: /s/ Tab Townsell
 Mayor

APPENDIX A

Proposed Form of Bond Counsel Opinion

Upon delivery of the Bonds in definitive form, Kutak Rock LLP, Little Rock, Arkansas, proposes to deliver its approving opinion in substantially the following form:

April ____, 2015

City of Conway, Arkansas
Conway, Arkansas

Stephens Inc.
Little Rock, Arkansas

Regions Bank, as Trustee
Little Rock, Arkansas

Crews & Associates, Inc.
Little Rock, Arkansas

\$26,970,000
City of Conway, Arkansas
Sales and Use Tax Capital Improvement and Refunding Bonds
Series 2015

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the City of Conway, Arkansas (the "City"), a political subdivision of the State of Arkansas, of its \$26,970,000 Sales and Use Tax Capital Improvement and Refunding Bonds, Series 2015 (the "Bonds").

The Bonds are being issued pursuant to the provisions of the Constitution and laws of the State of Arkansas, including, particularly, Amendment 62 and Arkansas Code Annotated (1998 Repl. & Supp. 2013) §§14-164-301 *et seq.* (as from time to time amended, the "Local Government Bond Act"), pursuant to Ordinance No. O-15-26 of the City, duly adopted and approved on March 10, 2015 (the "Authorizing Ordinance"), and pursuant to a Trust Indenture dated as of April 15, 2015 (the "Indenture"), by and between the City and Regions Bank, Little Rock, Arkansas, as trustee (the "Trustee"). Reference is hereby made to the Indenture and to all indentures supplemental thereto for the provisions, among others, with respect to the nature and extent of the security for the Bonds, the rights, duties and obligations of the City, the Trustee and the Holders of the Bonds, and the terms upon which the Bonds are issued and secured.

Reference is made to an opinion of even date herewith of Chuck Clawson, Esq., City Attorney, a copy of which is on file with the Trustee, with respect, among other matters, to the status and valid existence of the City, the power of the City to adopt the Election Ordinance (as defined in the Indenture) and the Authorizing Ordinance and to enter into and perform its obligations under the Indenture, the valid adoption of the Election Ordinance and the Authorizing Ordinance, and the due authorization, execution and delivery of the Indenture by the City, and with respect to the Indenture being enforceable upon the City.

We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the City contained in the Election Ordinance, the Authorizing Ordinance and the Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

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

1. The City is duly created and validly existing as a municipal corporation of the State of Arkansas. Pursuant to the Constitution and laws of the State of Arkansas, including, particularly, Amendment 62 and the Local Government Bond Act, the City is empowered to adopt the Election Ordinance and the Authorizing Ordinance, to execute and deliver the Indenture, to perform the agreements on its part contained therein, and to issue the Bonds.

2. The Authorizing Ordinance has been duly adopted by the City and constitutes a valid and binding obligation of the City enforceable upon the City in accordance with its terms.

3. The Indenture has been duly authorized, executed and delivered by the City and is a valid and binding obligation of the City enforceable upon the City in accordance with its terms.

4. The Bonds have been validly authorized, executed, issued and delivered by the City and represent valid and binding special obligations of the City. The principal, premium, if any, and interest on the Bonds shall be payable from, and shall be secured by an assignment and pledge by the City to the Trustee of, the receipts of the Special Sales and Use Tax and the General Sales and Use Tax (each as defined in the Indenture).

5. The receipts of the Special Sales and Use Tax and the General Sales and Use Tax have been duly and validly assigned and pledged to the Trustee under the Indenture, and the Indenture creates, as security for the Bonds, a valid security interest in the receipts of the Special Sales and Use Tax and the General Sales and Use Tax. Under the laws of the State of Arkansas, including, particularly, Arkansas Code Annotated (2001 Repl. & 2013 Supp.) Section 4-9-109(d)(14), the pledge, assignment and security interest in the receipts of the Special Sales and Use Tax and the General Sales and Use Tax securing the Bonds is and shall be prior to any judicial lien hereafter imposed on said receipts to enforce a judgment against the City on a simple contract, and it is not necessary to file a Uniform Commercial Code financing statement in order to perfect a security interest in said receipts.

6. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended, that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

7. The interest on the Bonds is exempt from all state, county and municipal taxes in the State of Arkansas.

8. The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended, in connection with the offer and sale of the Bonds.

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

Very truly yours,

APPENDIX B

THE SALES AND USE TAXES

Sales Tax. The sales tax portion of the Sales and Use Tax is generally levied upon the gross proceeds and receipts derived from all sales to any Person within the City of the following:

- (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; provided, however, sales taxes are not levied on services purchased by radio or television providers for use in providing their services;
 - (iv) Service or 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, 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 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; service of providing indoor tanning at a tanning salon; wrecker and towing services; service of collecting and disposing of solid waste; parking lot and gutter cleaning services; dry cleaning and laundry services; industrial laundry services; mini warehouse and self storage rental services; body piercing, tattooing and electrolysis services; pest control services; security and alarm monitoring services; boat storage and docking fees; furnishing campground spaces or trailer spaces at public or privately owned campgrounds, except for federal campgrounds, on less than a month-to-month basis; locksmith services; pet grooming and kennel services; and the new installation and replacement labor for hardwood, vinyl, ceramic tile or other types of flooring; and
 - (vi) Initial installation services relating to 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, television and radio, 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; provided, however, if the item being installed is specifically exempted from the imposition of the sales tax, the service of installation will also be exempt;

(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) Lease or rental of motor vehicles, other than diesel trucks rented for residential moving or commercial shipping or farm machinery rented or leased for a commercial purpose, for a period less than 30 days, or purchase of motor vehicles for rental or lease regardless of the length of the rental or lease;

(h) Orders by telegraph, telephone or other means of communication transmitted by florists;

(i) Sales of beer, wine, liquor or any intoxicating beverages;

(j) Proceeds derived from the operation or use of coin-operated pinball machines, coin-operated music machines, coin-operated mechanical games, and similar devices;

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

(l) Receipts derived from the 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 regardless of whether such activity might otherwise be permitted by law; and

(m) The first \$50,000 of the purchase price from the sale of machinery or equipment and related attachments that are sold to or used by a person engaged primarily in the harvesting of timber.

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 certain set dollar amounts (\$4,000 in the case of new or used motor vehicles, trailers or semitrailers);

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

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

(d) Tangible personal property, or service by charitable organizations, except where such organizations may be engaged in business for profit;

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

(f) Newspapers;

(g) Property or services to the United States Government; motor vehicles and adaptive equipment to disabled veterans who have purchased said vehicles or equipment with financial assistance of the Veterans Administration; tangible personal property to the Salvation Army, Heifer Project International, Inc., Habitat for Humanities, the Boy Scouts of America, the Girl Scouts of America or any of the Scout Councils in the State;

tangible personal property or service to the Boys Clubs of America or any local councils or organizations of the Boys Clubs of America, the Girls Clubs of America or any local councils or organizations of the Girls Clubs of America, to the Poets' Roundtable of Arkansas, to 4-H Clubs and FFA Clubs, to the Arkansas 4-H Foundation, to the Arkansas Future Farmers of America Foundation and the Arkansas Future Farmers of America Association, to qualified museums and to the Arkansas Symphony Orchestra, Inc.;

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

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

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

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

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

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

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

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

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

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

(r) Unprocessed crude oil;

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

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

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

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

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

- (x) Prescription drugs by licensed pharmacists, hospitals, oncologists or dispensing physicians, and oxygen sold for human use on prescription of a licensed physician;
- (y) Property or services to humane societies;
- (z) Vessels, barges and towboats of at least fifty tons load displacement and parts and labor used in the repair and construction of the same;
- (aa) Property or sales to all orphans' homes, or children's homes, which are not operated for profit and whether operated by a church, religious organization or other benevolent charitable association;
- (bb) Agricultural fertilizer, agricultural limestone and agricultural chemicals;
- (cc) Sale of tickets or admissions, by municipalities, 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) Rental and/or lease of specialized equipment used in the filming of a motion picture;
- (ee) New and used farm machinery and equipment;
- (ff) New automobiles to a veteran of the United States Armed Services who is blind as a result of a service connected injury;
- (gg) Motor vehicles sold to municipalities, counties, school districts, and state supported colleges and universities;
- (hh) School buses sold to school districts and, in certain cases, to other purchasers providing school bus service to school districts;
- (ii) Natural gas, LP gas, or electricity sold to a processor or mining company engaging in open pit and underground mining or processing of bauxite;
- (jj) Feedstuffs used in the commercial production of livestock or poultry;
- (kk) New and used mobile homes and custom manufactured homes;
- (ll) The first 500 kilowatt hours of electricity per month and the total franchise taxes billed to each residential customer whose household income is less than \$12,000 per year;
- (mm) Waste fuel used in producing, manufacturing, fabricating, assembling, processing, finishing, or packaging of articles of commerce at manufacturing or processing plants or facilities in the State;
- (nn) Electricity and natural gas to qualified steel and wall and floor tile manufacturers;
- (oo) Electricity used for the production of chlorine and other chemicals using a chlor-alkali manufacturing process;
- (pp) Tangible personal property lawfully purchased with food stamps, food coupons, food instruments or vouchers in connection with certain Federal programs;
- (qq) Publications sold through regular subscriptions;
- (rr) 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;
- (ss) Prescriptive durable medical equipment, mobility enhancing equipment and prescriptive disposable medical equipment;
- (tt) Insulin and test strips for testing blood sugar levels in humans;
- (uu) Telephone instruments sent into the State for refurbishing or repair and then shipped back to the state of origin;
- (vv) Industrial metal rollers sent into the State for repair or remanufacture and then shipped back to the state of origin;

- (ww) New motor vehicles purchased by non-profit organizations and used for the performance of contracts with the Department of Human Services, and new motor vehicles purchased with Urban Mass Transit Administration funds if (i) the vehicles are purchased in lots of ten vehicles, (ii) meet minimum State specifications, and (iii) vehicles are used for transportation under the Department of Human Services' programs for the aging, disabled, mentally ill, and children and family services;
- (xx) 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;
- (yy) Parts or other tangible personal property incorporated into or which become a part of commercial jet aircraft component or subcomponent;
- (zz) Transfer of fill material by a business engaged in transporting or delivering fill material;
- (aaa) Long-term leases, thirty days or more, of commercial trucks used for interstate transportation of goods under certain conditions;
- (bbb) Foodstuffs to nonprofit agencies;
- (ccc) 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;
- (ddd) Natural gas used as a fuel in the process of manufacturing glass;
- (eee) Sales to Fort Smith Clearinghouse;
- (fff) Substitute fuel used in producing, manufacturing, fabrication, assembling, processing, finishing or packaging of articles at manufacturing facilities or processing plants in the State;
- (ggg) Railroad rolling stock used in transporting persons or property in interstate commerce;
- (hhh) 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;
- (iii) 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;
- (jjj) Gas produced from biomass and sold for the purpose of generating energy to be sold to the gas producer;
- (kkk) Parts or other tangible personal property incorporated into or which become part of commercial jet aircraft components or subcomponents;
- (lll) Catalysts, chemicals, reagents and solutions which are consumed or used in producing, manufacturing, processing or finishing articles of commerce at manufacturing or processing plants in the State;
- (mmm) Fuel packaging materials sold to persons engaged in the business of processing hazardous and non-hazardous waste materials into fuel products;
- (nnn) Instructional materials used in public schools;
- (ooo) Livestock reproduction equipment and substances used in livestock reproduction;
- (ppp) Water purchased from a public surface-water delivery project to reduce or replace water used for in-ground irrigation or to reduce dependence on ground water used for agriculture;
- (qqq) Property or services to the Arkansas Black Hall of Fame Foundation, Inc.;
- (rrr) Gross receipts derived from the sale of Class Six and Class Seven Trucks if the vehicle is registered with the International Registration Plan and engaged in interstate commerce;
- (sss) Gross receipts derived from the sale of all semitrailers and offsets general revenues lost as a result of the exemption with revenues from distillate motor fuel taxes;
- (ttt) Kegs used to sell beer wholesale;

(uuu) During the first weekend in August of each year only, items of clothing costing less than \$100, clothing accessories and equipment costing less than \$50, school art supplies, school instructional materials and school supplies;

(vvv) Machinery and equipment required by state or federal law or regulations to be installed and utilized by manufacturing and processing plants or facilities in the refining of petroleum-based products to remove sulphur pollutants;

(www) Expendable supplies for farm machinery that are used for baling, packaging, tying, wrapping or sealing animal feed products;

(xxx) Electricity, liquefied petroleum gas and natural gas used by grain drying and storage facilities, qualifying agricultural structures and qualifying aquaculture and horticulture equipment;

(yyy) Timber harvesting machinery, equipment and related attachments;

(zzz) Dental appliances sold to or by dentists, orthodontists, oral surgeons, maxillofacial surgeons and endodontists; and

(aaaa) Property or services to nonprofit blood donations organizations.

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 Sales and Use 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; and

(i) Computer software.

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

- (a) Property, the storage, use or consumption of which the State is prohibited from taxing under the Constitution or laws of the United States of America or the State;
- (b) Sales of tangible personal property in which the tax under the Arkansas Gross Receipts Act of 1941 is levied;
- (c) Tangible personal property which is exempted from the sales tax under the Arkansas Gross Receipts Act of 1941;
- (d) Feedstuffs used in the commercial production of livestock or poultry in the State;
- (e) Unprocessed crude oil;
- (f) Machinery and equipment used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at manufacturing or processing plants or facilities in the State, including facilities and plants for manufacturing feed, processing of poultry and/or eggs and livestock and the hatching of poultry and such equipment is either (1) purchased to create or expand manufacturing or processing plants in the State, (2) purchased to replace existing machinery and used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at manufacturing or processing plants in the State, or (3) required by State law to be installed and utilized by manufacturing or processing plants to prevent or reduce air and/or water pollution or contamination;
- (g) Modular 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 and agricultural chemicals;
- (l) Water purchased from a public surface-water delivery project to reduce or replace water used for in-ground irrigation or to reduce dependence on ground water used for agriculture;
- (m) All new and used motor vehicles, trailers or semi-trailers that are purchased for a total consideration of less than \$4,000;
- (n) Any tangible personal property used, consumed, distributed, or stores in this State upon which a like tax, equal to or greater than the Arkansas Compensating (Use) Tax, has been paid in another state;
- (o) Property or services to the Arkansas Black Hall of Fame Foundation, Inc.;
- (p) Gross receipts derived from the sale of Class Six and Class Seven Trucks if the vehicle is registered with the International Registration Plan and engaged in interstate commerce;
- (q) Gross receipts derived from the sale of all semitrailers and offsets general revenues lost as a result of the exemption with revenues from distillate motor fuel taxes;
- (r) Kegs used to sell beer wholesale;
- (s) During the first weekend in August of each year only, items of clothing costing less than \$100, clothing accessories and equipment costing less than \$50, school art supplies, school instructional materials and school supplies;
- (t) Machinery and equipment required by state or federal law or regulations to be installed and utilized by manufacturing and processing plants or facilities in the refining of petroleum-based products to remove sulphur pollutants;
- (u) Expendable supplies for farm machinery that are used for baling, packaging, tying, wrapping or sealing animal feed products;

- (v) Electricity, liquefied petroleum gas and natural gas used by grain drying and storage facilities, qualifying agricultural structures and qualifying aquaculture and horticulture equipment;
- (w) Timber harvesting machinery, equipment and related attachments;
- (x) Dental appliances sold to or by dentists, orthodontists, oral surgeons, maxillofacial surgeons and endodontists; and
- (y) Property or services to nonprofit blood donations organizations.

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