

## 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 Series 2015 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that the Series 2015 Bonds are “qualified tax-exempt obligations” under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. Under existing laws, regulations, rulings and judicial decisions, Bond Counsel is of the opinion that the Series 2015 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.*

**\$9,000,000**

### **CITY OF FAYETTEVILLE, ARKANSAS SALES AND USE TAX CAPITAL IMPROVEMENT BONDS SERIES 2015**

**Dated: Date of Delivery**

**Due: November 1, as shown on inside front cover**

The Sales and Use Tax Capital Improvement Bonds, Series 2015 (the “Series 2015 Bonds”), are being issued by the City of Fayetteville, Arkansas (the “City”) for the purpose of (i) financing a portion of the costs of certain City street improvements, (ii) purchasing a municipal bond debt service reserve insurance policy for deposit in the debt service reserve, and (iii) paying certain expenses in connection with the issuance of the Series 2015 Bonds. See the captions “SOURCES AND USES OF FUNDS” and “THE STREET PROJECT” herein.

The Series 2015 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 Series 2015 Bonds will be made so long as Cede & Co. is the registered owner of the Series 2015 Bonds. Individual purchases of the Series 2015 Bonds will be made only in book-entry form, in denominations of \$5,000 or integral multiples thereof. Individual purchasers (“Beneficial Owners”) of Series 2015 Bonds will not receive physical delivery of bond certificates. See the caption “BOOK-ENTRY ONLY SYSTEM” herein.

The Series 2015 Bonds shall bear interest from the date of their delivery, payable on May 1 and November 1 of each year, commencing May 1, 2016. All such interest payments shall be payable to the persons in whose name such Series 2015 Bonds are registered on the bond registration books maintained by Simmons First Trust Company, N.A., Pine Bluff, 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 Series 2015 Bonds shall be payable at the principal corporate trust office of the Trustee. So long as DTC or its nominee is the registered owner of the Series 2015 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 November 1, 2006, as supplemented and amended by a First Supplemental Trust Indenture dated as of October 1, 2007, by a Second Supplemental Trust Indenture dated as of November 1, 2009, by a Third Supplemental Trust Indenture dated as of November 1, 2013, and by a Fourth Supplemental Trust Indenture dated as of November 1, 2015 (as supplemented and amended, the “Indenture”), between the City and the Trustee, the payment of the principal of, premium, if any, and interest on the Series 2015 Bonds is secured by a pledge of the receipts from (i) a one-quarter of one percent (0.25%) city-wide sales and use tax (the “0.25% Sales and Use Tax”) and (ii) a three-quarters of one percent (0.75%) city-wide sales and use tax (the “0.75% Sales and Use Tax,” and together with the 0.25% Sales and Use Tax, the “Sales and Use Taxes”). Such pledge is made on a parity basis with the existing pledge of receipts of the Sales and Use Taxes securing, as of November 1, 2015, (i) \$34,190,000 outstanding principal amount of the City’s Sales and Use Tax Capital Improvement Bonds, Series 2006A (the “Series 2006A Bonds”), (ii) \$9,410,000 outstanding principal amount of the City’s Sales and Use Tax Capital Improvement Bonds, Series 2007 (the “Series 2007 Bonds”), (iii) \$7,445,000,000 outstanding principal amount of the City’s Sales and Use Tax Capital Improvement Bonds, Series 2009 (the “Series 2009 Bonds”), and (iv) \$17,585,000 outstanding principal amount of the City’s Sales and Use Tax Capital Improvement Bonds, Series 2013 (the “Series 2013 Bonds”). See the caption “SECURITY FOR THE BONDS” herein. The Series 2015 Bonds are subject to mandatory redemption prior to maturity as more fully described herein under the caption “THE SERIES 2015 BONDS - Redemption.”

**The Series 2015 Bonds are special obligations of the City secured by and payable solely from receipts of the Sales and Use Taxes. The Series 2015 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 Series 2015 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 Series 2015 Bonds, except as described herein with respect to the Sales and Use Taxes.**

The Series 2015 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, Kit Williams, Esq., City Attorney. It is expected that the Series 2015 Bonds will be available for delivery in New York, New York, on or about November 12, 2015.

# Stephens Inc.

The date of this Official Statement is October 21, 2015.

\* See the caption “RATING” herein.

## MATURITY SCHEDULE

<u>Maturity</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2016	\$ 930,000	2.000%	0.500%	312673 EP7
2017	945,000	2.000%	0.950%	312673 EQ5
2018	965,000	2.000%	1.150%	312673 ER3
2019	980,000	2.000%	1.375%	312673 ES1
2020	1,000,000	1.600%	1.600%	312673 ET9
2021	1,020,000	1.700%	1.700%	312673 EU6
2022	1,035,000	1.800%	1.800%	312673 EV4
2023	1,055,000	1.550%	1.550%	312673 EW2
2024	1,070,000	1.000%	1.000%	312673 EX0

### CITY OF FAYETTEVILLE, ARKANSAS

Issuer

#### City Council

Lioneld Jordan, Mayor

Adella Gray

Mark Kinion

John La Tour

Alan Long

Sarah Marsh

Matthew Petty

Martin Schoppmeyer, Jr.

Justin Tennant

Paul Becker, Finance Director

Sondra Smith, City Clerk

Kit Williams, City Attorney

### SIMMONS FIRST TRUST COMPANY, N.A.

Pine Bluff, Arkansas

Trustee and Paying Agent

### KUTAK ROCK LLP

Little Rock, Arkansas

Bond Counsel

### STEPHENS INC.

Fayetteville, Arkansas

Underwriter

No dealer, broker, salesman or other person has been authorized by the City or by Stephens Inc. (the “Underwriter”) 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 Series 2015 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 SERIES 2015 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 UNDERWRITER HAS 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 UNDERWRITER DOES NOT GUARANTY THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 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

**\$9,000,000**  
**CITY OF FAYETTEVILLE, ARKANSAS**  
**SALES AND USE TAX CAPITAL IMPROVEMENT 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 in "Appendix B -- DEFINITIONS OF CERTAIN TERMS".

This Official Statement, including the cover page and the Appendices hereto, is furnished in connection with the offering by the City of Fayetteville, Arkansas (the "City") of its Sales and Use Tax Capital Improvement Bonds, Series 2015, in the principal amount of \$9,000,000 (the "Series 2015 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. & 2015 Supp.) §§14-164-301 *et seq.* (as from time to time amended, the "Act"), to issue and sell bonds for the purpose of financing the cost of capital improvements of a public nature.

The Series 2015 Bonds are to be issued by the City pursuant to Amendment 62, the Act and Ordinance No. 5803, adopted and approved on October 6, 2015 (the "Authorizing Ordinance"), for the purpose of (i) financing a portion of the costs of acquiring, constructing, reconstructing, repairing, straightening and widening certain streets and related improvements (the "Street Project"), (ii) purchasing a municipal bond debt service reserve insurance policy for deposit in the debt service reserve, and (iii) paying certain expenses in connection with the issuance of the Series 2015 Bonds. See the captions "SOURCES AND USES OF FUNDS" and "THE STREET PROJECT" herein.

The Series 2015 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 pursuant to the Act at the rate of one-quarter of one percent (0.25%) (the "0.25% Sales and Use Tax") and (ii) a special city-wide sales and use tax levied pursuant to the Act at the rate of three-quarters of one percent (0.75%) (the "0.75% Sales and Use Tax," and together with the 0.25% Sales and Use Tax, the "Sales and Use Taxes"). Such pledge shall be made on a parity basis with the existing pledge of receipts of the Sales and Use Taxes securing, as of November 1, 2015, (i) \$34,190,000 outstanding principal amount of the City's Sales and Use Tax Capital Improvement Bonds, Series 2006A (the "Series 2006A Bonds"), (ii) \$9,410,000 outstanding principal amount of the City's Sales and Use Tax Capital Improvement Bonds, Series 2007 (the "Series 2007 Bonds"), (iii) \$7,445,000 outstanding principal amount of the City's Sales and Use Tax Capital Improvement Bonds, Series 2009 (the "Series 2009 Bonds"), and (iv) \$17,585,000 outstanding principal amount of the City's Sales and Use Tax Capital Improvement Bonds, Series 2013 (the "Series 2013 Bonds"). See the captions "SECURITY FOR THE BONDS," "HISTORICAL SALES AND USE TAX COLLECTIONS," and "RATING" herein.

**The faith and credit of the City are not pledged to the payment of the Series 2015 Bonds, and the Series 2015 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 Series 2015 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 Series 2015 Bonds, except as described herein with respect to the Sales and Use Taxes.**

The Series 2015 Bonds are subject to redemption from excess moneys in the Street Account of the Project Fund following completion of the portions of the Street Project to be financed with the Series 2015 Bonds and from Surplus Tax Receipts. So long as the Series 2006A Bonds are outstanding, 50% of the Surplus Tax Receipts shall be allocated to the redemption of the Series 2006A Bonds and the remaining 50% of Surplus Tax Receipts shall be allocated ratably (based on relative outstanding principal amounts) to the redemption of the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds, the Series 2015 Bonds and any series of Additional Bonds hereafter issued as provided under the caption “THE SERIES 2015 BONDS – *Additional Bonds*” herein. Following payment in whole of the Series 2006A Bonds at maturity or upon redemption prior to maturity, all Surplus Tax Receipts shall be allocated ratably (based on relative outstanding principal amounts) to the redemption of the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds, the Series 2015 Bonds and any other series of Additional Bonds. See the captions “THE SERIES 2015 BONDS – *Redemption*” and “PROJECTED MANDATORY REDEMPTIONS” herein.

Pursuant to the provisions of a Continuing Disclosure Agreement dated as of the date of delivery of the Series 2015 Bonds, by and between the City and Simmons First Trust Company, N.A., Pine Bluff, Arkansas, as dissemination agent (the “Continuing Disclosure Agreement”), the City has undertaken certain obligations with respect to providing ongoing disclosure of certain financial and operating data concerning the City and the Sales and Use Taxes 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 Series 2015 Bonds, the Sales and Use Taxes, the Continuing Disclosure Agreement, and the Trust Indenture dated as of November 1, 2006, as supplemented and amended by a First Supplemental Trust Indenture dated as of October 1, 2007, by a Second Supplemental Trust Indenture dated as of November 1, 2009, by a Third Supplemental Trust Indenture dated as of November 1, 2013, and by a Fourth Supplemental Trust Indenture dated as of November 1, 2015 (as supplemented and amended, the “Indenture”), by and between the City and Simmons First Trust Company, N.A., Pine Bluff, Arkansas, as trustee (the “Trustee”), pursuant to which the Series 2006A Bonds, the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds and the Series 2015 Bonds are issued and secured. 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 Series 2015 Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the Indenture. Copies of the Continuing Disclosure Agreement, the Indenture, and the form of Series 2015 Bond included therein, are available from the City by writing to the attention of the Finance Director, City of Fayetteville, City Administration Building, 113 West Mountain, Fayetteville, Arkansas 72701 and, during the initial offering period only, from the Underwriter, Stephens Inc., 3425 North Futrall, Suite 201, Fayetteville, Arkansas 72703. 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 SERIES 2015 BONDS**

*Description.* The Series 2015 Bonds will be initially dated as of the date of their delivery, and will bear interest payable semiannually on May 1 and November 1 of each year, commencing May 1, 2016, at the rates set forth on the inside cover page hereof. The Series 2015 Bonds will mature on November 1 in the years and in the principal amounts set forth on the inside cover page hereof.

The Series 2015 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 Series 2015 Bonds will be made so long as Cede & Co. is the registered owner of the Series 2015 Bonds. Individual purchases of the Series 2015 Bonds will be made only in book-entry form, in denominations of \$5,000 or integral multiples thereof. Individual purchasers (“Beneficial Owners”) of Series 2015 Bonds will not receive physical delivery of bond certificates. See the caption “BOOK-ENTRY ONLY SYSTEM” herein.

All interest payments on the Series 2015 Bonds shall be payable to the persons in whose name such Series 2015 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 Series 2015 Bonds shall be payable at the principal corporate trust office of the Trustee. All

such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2015 Bond to the extent of the sum or sums so paid. So long as DTC or its nominee is the registered owner of the Series 2015 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 Series 2015 Bonds are subject to redemption prior to maturity as follows:

(i) The Series 2015 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 Street Account of the Project Fund in excess of the amount needed to complete the Street Project.

(ii) The Series 2015 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 Sales and Use Taxes in excess of the amount necessary to (i) insure 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. So long as the Series 2006A Bonds are outstanding, 50% of the Surplus Tax Receipts shall be allocated to the redemption of the Series 2006A Bonds and the remaining 50% of Surplus Tax Receipts shall be allocated ratably (based on relative outstanding principal amounts) to the redemption of the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds, the Series 2015 Bonds and any series of Additional Bonds hereafter issued as provided under the caption "THE SERIES 2015 BONDS – *Additional Bonds*" herein. Following payment in whole of the Series 2006A Bonds at maturity or upon redemption prior to maturity, all Surplus Tax Receipts shall be allocated ratably (based on relative outstanding principal amounts) to the redemption of the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds, the Series 2015 Bonds and any other series of Additional Bonds. See the caption "PROJECTED MANDATORY REDEMPTIONS" herein.

**In the case of any defeasance of the Series 2015 Bonds, the dates of redemption, the principal amounts and the maturities of the Series 2015 Bonds to be redeemed will be determined by taking into consideration the mandatory redemption requirements set forth above and the receipts of the Sales and Use Taxes for the most recent twelve months.**

Partial Redemption of a Series 2015 Bond. If less than all of the Series 2015 Bonds of a maturity are called for redemption, the particular Series 2015 Bonds or portions of Series 2015 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 Series 2015 Bonds, the procedures established by DTC shall control with respect to the selection of the particular Series 2015 Bonds to be redeemed.

Notice of Redemption. Notice of the call for any redemption, identifying the Series 2015 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 Series 2015 Bonds, by any other means acceptable to DTC, including facsimile) to the registered owner of each such Series 2015 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 Series 2015 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.

*Additional Bonds.* The City may issue from time to time one or more series of Additional Bonds for the purpose of refunding the Series 2006A Bonds, the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds, the Series 2015 Bonds or any series of Additional Bonds, in whole or in part. Additional Bonds shall be secured equally and ratably with the Series 2006A Bonds, the Series 2007 Bonds, the Series 2009 Bonds, the Series

2013 Bonds, the Series 2015 Bonds and any other series of Additional Bonds theretofore issued and then Outstanding, except insofar any terms or conditions of redemption or purchase established under the Indenture may afford additional benefit or security for the Bonds of any particular series and except for the security afforded by any municipal bond insurance obtained with respect to a particular series of Bonds.

Before any Additional Bonds are authenticated, there shall be delivered to the Trustee a certificate of the City's Finance Director certifying that, based upon the most recent twelve (12) months of Sales and Use Tax collections, receipts of the 0.25% Sales and Use Tax and the 0.75% Sales and Use Tax were not less than 125% of the maximum Annual Debt Service on all the Outstanding Bonds, plus the Additional Bonds to be issued. Notwithstanding anything described above to the contrary, no Additional Bonds shall be issued unless there is no default at the time of issuance under the Indenture.

*Transfer or Exchange.* The Series 2015 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 Series 2015 Bond at the principal 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 Series 2015 Bond or Bonds in the same aggregate principal amount and of any authorized denomination or denominations.

Transfers of registration or exchanges of Series 2015 Bonds shall be without charge to the Holders of such Series 2015 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 Series 2015 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 Series 2015 Bond during the period from and including a Record Date to the next succeeding interest payment date of such Series 2015 Bond nor to transfer or exchange any Series 2015 Bond after the mailing of notice calling such Series 2015 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 Series 2015 Bonds, transfers of beneficial interests in the Series 2015 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.

## **SECURITY FOR THE BONDS**

*General.* The Series 2015 Bonds are special obligations of the City secured by and payable from the receipts of (i) a special city-wide sales and use tax levied pursuant to the Act at the rate of one-quarter of one percent (0.25%) (the "0.25% Sales and Use Tax") and (ii) a special city-wide sales and use tax levied pursuant to the Act at the rate of three-quarters of one percent (0.75%) (the "0.75% Sales and Use Tax," and together with the 0.25% Sales and Use Tax, the "Sales and Use Taxes"). The Sales and Use Taxes were levied under Ordinance No. 4891, duly adopted by the City Council of the City on June 20, 2006 (the "Election Ordinance"). Pursuant to the Election Ordinance, a special election was held on September 12, 2006, at which time the qualified electors of the City approved the issuance of capital improvement bonds in principal amount not to exceed \$110,000,000 and the corresponding levy of the Sales and Use Taxes. The receipts of the Sales and Use Taxes were pledged to secure the payment of Debt Service on the Series 2015 Bonds pursuant to Ordinance No. 5803, duly adopted by the City Council of the City on October 6, 2015 (the "Authorizing Ordinance"). Such pledge is made on a parity basis with an existing pledge on such receipt securing, as of November 1, 2015, (i) \$34,190,000 outstanding principal amount of the City's Sales and Use Tax Capital Improvement Bonds, Series 2006A (the "Series 2006A Bonds"), (ii) \$9,410,000 outstanding principal amount of the City's Sales and Use Tax Capital Improvement Bonds, Series 2007 (the "Series 2007 Bonds"), (iii) \$7,445,000 outstanding principal amount of the City's Sales and Use Tax Capital Improvement Bonds, Series 2009 (the "Series 2009 Bonds"), and (iv) \$17,585,000 outstanding principal amount of the City's Sales and Use Tax Capital Improvement Bonds, Series 2013 (the "Series 2013 Bonds").

Pursuant to the terms of the Election Ordinance, the collection of the 0.25% Sales and Use Tax commenced on January 1, 2007. At such time an existing three-quarters of one percent (0.75%) special city-wide sales and use tax (the "Existing Tax") was pledged to the payment of certain indebtedness of the City originally authorized in the aggregate principal amount of \$92,000,000 (the "Existing Indebtedness"). The Existing Indebtedness was paid in full on July 1, 2014, the levy of the Existing Tax ceased on August 1, 2014, and the collection of the 0.75% Sales

and Use Tax commenced simultaneously therewith. See the captions “THE SALES AND USE TAXES” and “HISTORICAL SALES AND USE TAX COLLECTIONS” herein.

The Series 2015 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 Series 2015 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 Series 2015 Bonds, except as described herein with respect to the Sales and Use Taxes.

*Debt Service Reserve.* From the proceeds of the Series 2015 Bonds, there shall be deposited into the Series 2015 Account of the Debt Service Reserve Fund an amount sufficient to cause the amounts on deposit therein to be equal to 5% of the aggregate principal amount of the Series 2015 Bonds (the “Reserve Requirement”). Amounts on deposit in the Series 2015 Account of the Debt Service Reserve Fund shall be used solely to pay the principal of and interest on the Outstanding Series 2015 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, including the Reserve Fund Insurance Policy (as defined below).

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, 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.

Assured Guaranty Municipal Corp., a New York stock insurance company (“AGM”), has made a commitment to issue a municipal bond debt service reserve insurance policy for the Debt Service Reserve Fund with respect to the Series 2015 Bonds (the “Reserve Fund Insurance Policy”), effective as of the date of issuance of such Series 2015 Bonds. Under the terms of the Reserve Fund Insurance Policy, AGM will unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest on the Series 2015 Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the City (the “Insured Payments”).

AGM will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the City to the Trustee or Paying Agent, as beneficiary of the Reserve Fund Insurance Policy on behalf of the holders of the Series 2015 Bonds, on the later to occur of (i) the business day on which such scheduled principal or interest becomes due for payment or (ii) the business day next following the business day on which AGM receives a notice of nonpayment in accordance with the terms of the Reserve Fund Insurance Policy.

No payment shall be made under the Reserve Fund Insurance Policy in excess of \$450,000 (the “Reserve Fund Insurance Policy Limit”). Pursuant to the terms of the Reserve Fund Insurance Policy, the amount available at any particular time to be paid to the Trustee or Paying Agent shall automatically be reduced to the extent of any payment made by AGM under the Reserve Fund Insurance Policy, provided, that, to the extent of the reimbursement of such payment to AGM, the amount available under the Reserve Fund Insurance Policy shall be reinstated in full or in part, in an amount not to exceed the Reserve Fund Insurance Policy Limit.

The Reserve Fund Insurance Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee or Paying Agent.

The Reserve Fund Insurance Policy is not covered by the property/casualty insurance security fund specified in Article 76 of New York insurance law.

#### **BOOK-ENTRY ONLY SYSTEM**

The Series 2015 Bonds will be issued only as one fully registered Series 2015 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 Series 2015 Bonds. The fully registered Series 2015 Bonds will be retained and immobilized in the custody of DTC.

DTC (or any successor securities depository) or its nominee will be considered by the City and the Trustee to be the owner or holder of the Series 2015 Bonds for all purposes under the Indenture.

Owners of any book entry interests in the Series 2015 Bonds (the “book entry interest owners”) described below, will not receive or have the right to receive physical delivery of the Series 2015 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 Series 2015 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 UNDERWRITER 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2015 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 Series 2015 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 Series 2015 Bonds, except in the event that use of the Book-Entry System for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 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 Series 2015 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 Series 2015 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2015 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 Series 2015 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 Series 2015 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 Series 2015 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 Series 2015 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 Series 2015 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 Series 2015 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 Series 2015 Bonds made to DTC or its nominee as the registered owner of the Series 2015 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 Series 2015 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.

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## THE STREET PROJECT

Approximately \$8,914,876 of the proceeds of the Series 2015 Bonds will be deposited into the Street Account of the Project Fund to finance a portion of the costs of acquiring, constructing, reconstructing, repairing, straightening and widening certain streets and related improvements (the “Street Project”).

### HISTORICAL SALES AND USE TAX COLLECTIONS

Pursuant to the terms of the Election Ordinance, the collection of the 0.25% Sales and Use Tax commenced on January 1, 2007. At such time an existing three-quarters of one percent (0.75%) special city-wide sales and use tax (the “Existing Tax”) was pledged to the payment of certain indebtedness of the City originally authorized in the aggregate principal amount of \$92,000,000 (the “Existing Indebtedness”). The Existing Indebtedness was paid in full on July 1, 2014, the levy of the Existing Tax ceased on August 1, 2014, and the collection of the 0.75% Sales and Use Tax commenced simultaneously therewith. Set forth below is a table showing receipts of the 0.25% Tax and the Existing Tax over the last seven years. Combined collections of the 0.25% Tax and the 0.75% Tax received by the City for the most recent twelve-month period (October 1, 2014 through September 30, 2015) were \$19,298,680, a 6.26% increase over the amount of collections from the 0.25% Tax and the Existing Tax received by the City during the previous twelve-month period (October 1, 2013 to September 30, 2014).

Year	Historical Collections of 0.25% Sales and Use Tax	Historical Collections of Existing Tax (0.75%)	Combined Collections of 0.25% Tax and Existing Tax (0.75%)	Growth Percentage
2009	\$ 3,927,564	\$11,782,692	\$15,710,256	n/a
2010	3,917,717	11,753,150	15,670,867	-0.25%
2011	4,129,686	12,389,060	16,518,746	5.41%
2012	4,389,519	13,168,559	17,558,078	6.29%
2013	4,513,873	13,541,618	18,055,491	2.83%
2014 <sup>(1)</sup>	4,604,085	13,812,257	18,416,342	2.00%
2015 <sup>(2)</sup>	3,630,557	10,891,670	14,522,227	n/a

<sup>(1)</sup> Reflects collections of the Existing Tax through September 30, 2014 and collections of the 0.75% Sales and Use Tax from October 1, 2014 through December 31, 2014. Sales and use tax receipts are remitted by the Treasurer of the State of Arkansas to the City in the second month following the month of their collection.

<sup>(2)</sup> Reflects collections of the 0.25% Sales and Use Tax and the 0.75% Sales and Use Tax for the nine months ended September 30, 2015.

Source: Arkansas State Treasurer

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## SOURCES AND USES OF FUNDS

The proceeds of the Series 2015 Bonds are expected to be used as follows:

### Sources of Funds

Par Amount of Series 2015 Bonds	\$9,000,000
Net Original Issue Premium	<u>80,226</u>
<b>Total Sources:</b>	<b><u>\$9,080,226</u></b>

### Uses of Funds

Deposit to Street Account of Project Fund	\$8,914,876
Costs of Issuance, including Underwriter's Discount	150,500
Reserve Policy Premium	<u>14,850</u>
<b>Total Uses:</b>	<b><u>\$9,080,226</u></b>

## DEBT SERVICE REQUIREMENTS

As of the date of closing, the Series 2006A Bonds, the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds and the Series 2015 Bonds will constitute the only debt obligations secured by receipts of the Sales and Use Taxes. The following table sets forth the amounts required to pay scheduled principal of and interest on the Series 2006A Bonds, the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds and the Series 2015 Bonds during each year:

<u>Year</u>	<u>Series 2006A, 2007, 2009 &amp; 2013 Principal<sup>(1)</sup></u>	<u>Series 2006A, 2007 &amp; 2009 and 2013 Interest<sup>(1)</sup></u>	<u>Series 2015 Principal</u>	<u>Series 2015 Interest</u>	<u>Total Debt Service</u>
2016	\$ 8,960,000	\$ 2,763,956	\$ 930,000	\$ 150,673	\$ 12,804,629
2017	9,375,000	2,351,919	945,000	136,823	12,808,742
2018	9,810,000	1,916,544	965,000	117,922	12,809,466
2019	10,245,000	1,476,519	980,000	98,623	12,800,142
2020	8,550,000	1,032,306	1,000,000	79,022	10,661,328
2021	2,475,000	751,425	1,020,000	63,023	4,309,448
2022	7,035,000	653,275	1,035,000	45,682	8,768,957
2023	8,315,000	409,900	1,055,000	27,053	9,806,953
2024	<u>3,865,000</u>	<u>113,150</u>	<u>1,070,000</u>	<u>10,700</u>	<u>5,058,850</u>
<b>Totals:</b>	<b><u>\$68,630,000</u></b>	<b><u>\$11,468,994</u></b>	<b><u>\$9,000,000</u></b>	<b><u>\$ 729,521</u></b>	<b><u>\$89,828,515</u></b>

<sup>(1)</sup> As of November 1, 2015.

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### ESTIMATED DEBT SERVICE COVERAGE

Set forth below is a table showing estimated debt service coverage with respect to the Series 2006A Bonds, the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds and the Series 2015 Bonds. Combined collections of the 0.25% Tax and the 0.75% Tax during the twelve-month period ended September 30, 2015 were utilized for the purpose of making the coverage calculations. See the caption “HISTORICAL SALES AND USE TAX COLLECTIONS” herein.

Historical Tax Receipts of 0.25% and 0.75% Taxes <sup>(1)</sup>	\$19,298,680
Maximum Annual Debt Service <sup>(2)</sup>	\$12,809,466
Maximum Annual Debt Service Coverage	<u>1.51 X</u>

<sup>(1)</sup> Actual combined collections of the 0.25% Tax and the 0.75% during the last twelve-month period ending September 30, 2015. See the caption “HISTORICAL SALES AND USE TAX COLLECTIONS” herein.

<sup>(2)</sup> Representing debt service on the Series 2006A Bonds, the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds and the Series 2015 Bonds in 2018. See the caption “DEBT SERVICE REQUIREMENTS” herein.

THE COVERAGE NUMBERS SET FORTH ABOVE ARE BASED ON HISTORICAL RECEIPTS OF THE 0.25% TAX AND THE 0.75% TAX. ACTUAL RECEIPTS OF THE SALES AND USE TAXES WILL DEPEND ON NUMEROUS FACTORS, AND THERE CAN BE NO ASSURANCE THAT FUTURE RECEIPTS OF THE SALES AND USE TAXES AVAILABLE TO PAY DEBT SERVICE ON THE SERIES 2006A BONDS, THE SERIES 2007 BONDS, THE SERIES 2009 BONDS, THE SERIES 2013 BONDS AND THE SERIES 2015 BONDS WILL APPROXIMATE SUCH HISTORICAL RESULTS. See the caption “THE SALES AND USE TAXES – *Future Receipt of the Sales and Use Taxes*” herein.

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## PROJECTED MANDATORY REDEMPTIONS

The table under the caption “DEBT SERVICE REQUIREMENTS” does not reflect possible mandatory redemptions of the Series 2006A Bonds, the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds and the Series 2015 Bonds from Surplus Tax Receipts, if available. Surplus Tax Receipts are all receipts of the Sales and Use Taxes in excess of the amount necessary (i) to assure the prompt payment of the principal of and interest on Outstanding Series 2006A Bonds, the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds, the Series 2015 Bonds and any series of Additional Bonds, (ii) to maintain the Debt Service Reserve Fund in an amount equal to the Reserve Requirement, (iii) to pay any arbitrage rebate due under Section 148(f) of the Code, and (iv) to pay Trustee and Paying Agent fees and expenses. So long as the Series 2006A Bonds are outstanding, 50% of the Surplus Tax Receipts shall be allocated to the redemption of the Series 2006A Bonds and the remaining 50% of Surplus Tax Receipts shall be allocated ratably (based on relative outstanding principal amounts) to the redemption of the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds, the Series 2015 Bonds and any series of Additional Bonds hereafter issued as provided under the caption “THE SERIES 2015 BONDS – *Additional Bonds*” herein. Following payment in whole of the Series 2006A Bonds at maturity or upon redemption prior to maturity, all Surplus Tax Receipts shall be allocated ratably (based on relative outstanding principal amounts) to the redemption of the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds, the Series 2015 Bonds and any other series of Additional Bonds. THERE CAN BE NO ASSURANCE GIVEN THAT RECEIPTS OF THE SALES AND USE TAXES WILL BE REALIZED IN THE AMOUNTS ASSUMED IN THE TABLE BELOW. See the caption “THE SALES AND USE TAXES — *Future Sales and Use Tax Receipts*” herein.

<u>Date</u> <sup>(1)</sup>	<u>Series 2015 Principal Due</u>	<u>Series 2015 Bonds Redeemed Prior to Maturity</u> <sup>(2)(3)</sup>	<u>Total Series 2015 Principal Retired</u>
5-1-16	\$ --	\$ 335,000	\$ 335,000
11-1-16	930,000	330,000	1,260,000
5-1-17	--	335,000	335,000
11-1-17	945,000	330,000	1,275,000
5-1-18	--	335,000	335,000
11-1-18	965,000	320,000	1,285,000
5-1-19	--	515,000	515,000
11-1-19	980,000	1,405,000	2,385,000
5-1-20	--	<u>1,275,000</u>	<u>1,275,000</u>
Totals:	<u>\$3,820,000</u>	<u>\$5,180,000</u>	<u>\$9,000,000</u>

<sup>(1)</sup> Series 2015 Bonds are subject to mandatory redemption from Surplus Tax Receipts on each May 1 and November 1. See the caption “THE SERIES 2015 BONDS — *Redemption*” herein.

<sup>(2)</sup> Assuming annual receipts of the Sales and Use Taxes of \$19,298,680.

<sup>(3)</sup> Projected mandatory redemptions related to Series 2015 Bonds maturing November 1, 2020 through November 1, 2024.

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**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 Washington County (the “County”) and is the fourth largest city in the State. The City is located in the Metropolitan Statistical Area of Fayetteville/Springdale/Rogers (the “MSA”), which includes all of Washington and Benton Counties in the northwest corner of the State and is approximately 185 miles northwest of Little Rock, Arkansas, 125 miles east of Tulsa, Oklahoma, and 210 miles south of Kansas City, Missouri.

The City is served by U.S. Interstate 49, U.S. Highways 62 and 71, and State Highways 16, 45, 112, 156, 180 and 265. The Burlington Northern Railroad has several lines running through the City, and a general aviation airport with a 6,006-foot runway is available for limited commuter travel. The Northwest Arkansas Regional Airport is located approximately 40 minutes from downtown Fayetteville and provides daily flights to numerous venues.

*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 also serve four year terms.

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

<b>Name</b>	<b>Office</b>	<b>Term Expires</b>
Lioneld Jordan	Mayor	12/31/16
Kit Williams	City Attorney	12/31/18
Sondra Smith	City Clerk	12/31/16
Adella Gray	Alderman	12/31/18
Mark Kinion	Alderman	12/31/18
John La Tour	Alderman	12/31/18
Alan Long	Alderman	12/31/16
Sarah Marsh	Alderman	12/31/16
Matthew Petty	Alderman	12/31/16
Martin Schoppmeyer, Jr.	Alderman	12/31/16
Justin Tennant	Alderman	12/31/18

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

<b>Year</b>	<b>City of Fayetteville</b>	<b>MSA</b>	<b>State of Arkansas</b>
1960	20,274	92,069	1,786,272
1970	30,729	127,846	1,923,322
1980	36,608	178,609	2,286,435
1990	42,099	210,908	2,350,624
2000	58,047	311,121	2,673,400
2010	73,580	463,204	2,915,918

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

<b>Year</b>	<b>MSA</b>	<b>State of Arkansas</b>
2005	\$28,685	\$27,908
2006	30,168	29,459
2007	31,586	31,517
2008	32,537	32,257
2009	32,313	31,688
2010	33,309	32,373
2011	34,130	33,740
2012	36,985	34,723
2013	37,863	36,698
2014	n/a	37,751

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Source: Discover Arkansas, Data Analysis.

Retail sales figures for the MSA and the State are as follows:

<b>Year</b>	<b>MSA</b>	<b>State of Arkansas</b>
2000	\$3,526,791,000	\$28,488,033,000
2001	3,806,422,000	29,652,693,000
2002	3,841,326,000	29,269,775,000
2003	3,968,812,000	29,920,716,000
2004	4,610,051,000	31,463,983,000
2005	5,287,158,000	34,290,412,000
2006	7,251,810,000	38,843,312,000
2007	8,250,140,000	43,504,752,000
2008	8,291,415,000	43,820,789,000
2009	5,527,678,000 <sup>(1)</sup>	35,498,326,000
2010	6,133,565,000 <sup>(1)</sup>	35,247,629,000
2011	7,236,224,000 <sup>(1)</sup>	42,160,822,000
2012	7,231,740,000 <sup>(1)</sup>	42,262,644,000
2013	8,849,969,401 <sup>(1)</sup>	45,797,494,447
2014	10,299,545,949 <sup>(1)</sup>	51,904,796,678

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<sup>(1)</sup> Does not include McDonald County, Missouri

Source: Demographics USA. For years through 2008; Nielson Consumer Buying Power for 2009-2013.

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

<b>Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Total</b>
2005	\$ 729,172,106	\$ 212,694,254	\$ 941,866,260
2006	802,306,156	198,469,816	1,000,775,972
2007	942,667,570	203,094,564	1,145,762,134
2008	1,026,022,871	203,311,701	1,232,334,572
2009	1,067,947,653	191,973,349	1,299,921,002
2010	1,025,933,870	188,130,198	1,214,064,068
2011	1,046,174,941	199,900,209	1,246,075,150
2012	1,063,617,013	203,289,225	1,266,906,238
2013	1,084,550,127	260,194,656	1,344,744,783
2014	1,115,992,871	274,972,663	1,390,965,534

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

Building permits issued by the City<sup>(1)</sup> are shown below for the years indicated:

	2011	2012	2013	2014	2015 <sup>(2)</sup>
Residential Building Permits	273	394	379	289	244
Commercial Building Permits	29	18	24	17	18
Value of All Building Permits	\$81,146,187	\$251,041,427	\$157,970,433	\$139,775,340	\$187,615,391

(1) Does not include building activity of the University of Arkansas, school permits and additions/alterations to existing structures.

(2) Through July 31, 2015.

Source: City of Fayetteville.

Unemployment figures for the MSA and the State of Arkansas, according to the U.S. Bureau of Labor Statistics, are as follows:

Year	MSA	State of Arkansas
2005	3.3%	5.3%
2006	3.6	5.4
2007	3.9	5.4
2008	3.8	5.2
2009	6.1	7.4
2010	6.5	7.9
2011	6.2	8.0
2012	5.6	7.3
2013	4.9	7.5
2014	4.6	6.1
2015*	3.6	5.0

\* August, 2015 only; preliminary and not seasonally adjusted.

*Employment and Industry.* The principal campus of the University of Arkansas is located in the City and has total enrollment for the Fall semester of 2015 of approximately 26,754. On the Fayetteville campus, the University employs approximately 8,500 faculty, administrative, secretarial, clerical and maintenance personnel in both full-time and part-time positions, making the University the largest employer in the City.

Other major employers in the City, their products or services and approximate number of employees are set forth below:

Employer	Product or Service	Employees
University of Arkansas	Education	12,689
Washington Regional Med. Ctr.	Medical	1,500
Veterans Admin. Med. Ctr.	Medical	1,442
Washington County Gov't	Government	1,386
Fayetteville School District	Education	1,340
Superior Industries	Cast aluminum wheels	822
City of Fayetteville	Government	731
Wal-Mart #9149 (optical lab)	Optical products	670
Tyson Mexican Original	Food	631
Wal-Mart #144	Retail	550

Source: 2014 City of Fayetteville CAFR

## THE SALES AND USE TAXES

*Generally.* The Sales and Use Taxes are levied under the Election Ordinance pursuant to the authority of the 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 Series 2015 Bonds. Pursuant to the terms of the Election Ordinance, the collection of the 0.25% Sales and Use Tax commenced on January 1, 2007. At such time an existing three-quarters of one percent (0.75%) special city-wide sales and use tax (the “Existing Tax”) was pledged to the payment of certain indebtedness of the City originally authorized in the aggregate principal amount of \$92,000,000 (the “Existing Indebtedness”). The Existing Indebtedness was paid in full on July 1, 2014, the levy of the Existing Tax ceased on August 1, 2014, and the collection of the 0.75% Sales and Use Tax commenced simultaneously therewith. See “Appendix C – 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 the 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. In addition, receipts of the Sales and Use Taxes collected with respect to the sale of aviation fuel at the local airport within the City are required by federal and state law to be retained by the Commission and remitted to the airport to be expended for airport capital or operating costs. See the caption “SUMMARY OF THE INDENTURE – *Application of Sales and Use Tax Receipts*” herein. In an effort to simplify and modernize the sales and use tax collection process, the State of Arkansas has opted to participate in the Streamlined Sales Tax Agreement, a cooperative effort among states, local governments and the business community.

*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 Series 2015 Bonds.**

## 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 Finance Director of the City, for a full statement thereof.

*Funds and Accounts.* Receipts of the Sales and Use Taxes 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 issuance of the Bonds:

### Funds and Accounts

Revenue Fund  
Bond Fund, and an Interest Account and a Principal Account therein  
Debt Service Reserve Fund, and Series 2006A, Series 2007, Series 2009,  
Series 2013 and Series 2015 Accounts therein

Redemption Fund

Project Fund, and a Street Account, Trail Account and Wastewater Account therein

Cost of Issuance Fund

Rebate Fund

*Application of Receipts of the Sales and Use Taxes.* The application of receipts of the Sales and Use Taxes is as follows:

(a) Revenue Fund. All receipts from the Sales and Use Taxes shall, as and when received, be deposited into the Revenue Fund. All moneys at any time in 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 as follows:

(b) Bond Fund. Upon receipt, but in no event later than the last day of each month in which receipts of the Sales and Use Taxes are deposited in the Revenue Fund, there shall be transferred from the Revenue Fund (i) into the Interest Account of the Bond Fund, an amount equal to 1/6 of the interest on the Outstanding Bonds due on the next interest payment date, and (ii) into the Principal Account of the Bond Fund, an amount equal to 1/12 of the next scheduled principal maturity of Outstanding Bonds. Moneys in the Bond Fund shall be used solely for the purpose of paying Annual Debt Service on the Bonds or for redemption of 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 receipts of the Sales and Use Taxes 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 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 Sales and Use Taxes 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 Revenue Fund into the Redemption Fund all remaining moneys in the Revenue Fund (the “Surplus Tax Receipts”). Moneys in the Redemption Fund shall be transferred to the appropriate Principal Account(s) of the Bond Fund at such times as may be necessary to effectuate redemptions of Bonds on the first available redemption date. So long as the Series 2006A Bonds are outstanding, 50% of the Surplus Tax Receipts shall be allocated to the redemption of the Series 2006A Bonds and the remaining 50% of Surplus Tax Receipts shall be allocated ratably (based on relative outstanding principal amounts) to the redemption of the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds, the Series 2015 Bonds and any series of Additional Bonds. Following payment in whole of the Series 2006A Bonds at maturity or upon redemption prior to maturity, all Surplus Tax Receipts shall be allocated ratably (based on relative outstanding principal amounts) to the redemption of the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds, the Series 2015 Bonds and any

series of Additional Bonds. See the captions “THE SERIES 2015 BONDS – *Redemption*” and “PROJECTED MANDATORY REDEMPTIONS” herein.

(f) Project Fund. A portion of the proceeds of the Series 2015 Bonds shall be deposited in the Street Account of the Project Fund. See the captions “SOURCES AND USES OF FUNDS” and “THE STREET PROJECT” herein. Amounts in the Street Account in the Project Fund shall be expended only for the payment of Project Costs related to the applicable portion of the Street Project being financed with the Series 2015 Bonds 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 portion of a Project being financed with a particular series of Bonds, the City shall deliver to the Trustee its Certificate stating that the applicable portion of such Project is complete and the Trustee shall transfer the remaining moneys in the applicable Account of the Project Fund relating to such series of Bonds (save and except moneys needed to satisfy unpaid Project Costs) to the Redemption Fund for application to the retirement of the corresponding series of Bonds by redemption or purchase. See the caption “THE SERIES 2015 BONDS – *Redemption*” herein.

(g) Cost of Issuance Fund. A portion of the proceeds of the Series 2015 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 with respect to the Series 2015 Bonds (and in any event not later than December 1, 2015), any remaining moneys in the Cost of Issuance Fund shall be transferred to the Interest Account of the Bond Fund.

*Investment of Funds.* At the direction of the City or absent such direction, 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.

*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 Sales and Use Taxes 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 Series 2015 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 affect the exclusion of interest on any Series 2015 Bond from gross income for federal income tax purposes. No part of the proceeds of the Series 2015 Bonds shall at any time be used, directly or indirectly, to acquire securities or obligations the acquisition of which would cause any of such Series 2015 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 Series 2015 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. In the case of any defeasance of Series 2015 Bonds, the dates of redemption of such Series 2015 Bonds and the principal amounts and maturities of Series 2015 Bonds to be redeemed on such dates will be determined by taking into consideration the applicable redemption requirements with respect to the Series 2015 Bonds to be defeased and the receipts of the Sales and Use Taxes for the most recent twelve months.

*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 sixty (60) 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 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 authorize the issuance and sale of one or more series of Additional Bonds;
- (g) 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

(h) 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 principal 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 Series 2015 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 different repayment sources. During the past five years, the City has identified certain instances in which filings were not made as required by such agreements. A listing of such instances, which may not be inclusive, is set forth below.

With respect to the City's continuing disclosure obligations relating to certain series of bonds secured by sales and use tax receipts, certain notices of mandatory redemption from excess sales tax receipts were not posted.

With respect to the City's continuing disclosure obligations relating to a series of bonds secured by receipts of a special hotel, motel and restaurant gross receipts tax (which bonds have now been refunded), the City's audited financial statements and supplemental financial data for fiscal years 2010 and 2011 were not posted on a timely basis (posted 7/30/14). Notices of late filings and notices of ratings changes with respect to the insurer of said bonds were not posted.

With respect to the City's continuing disclosure obligations for certain bonds secured by water and sewer revenues which are no longer outstanding, audited financial statements and supplemental operating and financial data for fiscal years 2010 and 2011 were not posted on a timely basis. Said audited financial statements and supplemental operating and financial data were timely posted on EMMA for one issue of the City's water and sewer

revenue bonds. A ratings upgrade with respect to one series of water and sewer revenue bonds (no longer outstanding) was not posted.

Supplemental financial data for fiscal years 2010 and 2011 was timely filed but incomplete (remedied 6/27/13) for an issue of the City's tax increment finance bonds.

The City makes no representation as to the materiality of the continuing disclosure delinquencies and omissions described above.

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

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 and the Audited Financial Statements to the MSRB within 180 days of the completion of the City's fiscal year. 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 Material Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series 2015 Bonds or defeasance of any Series 2015 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 Series 2015 Bonds pursuant to the Indenture. The City is required to deliver or cause delivery of such Material 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 Underwriter 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 Series 2015 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 Series 2015 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 when the City shall no longer have any legal liability for any obligation on or relating to the repayment of the Series 2015 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 Series 2015 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 Series 2015 Bonds holding a majority of the aggregate principal amount of the Series 2015 Bonds (excluding Series 2015 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 Sales and Use Taxes for the latest Fiscal Year and for the four previous Fiscal Years.

“*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 Series 2015 Bonds (including persons holding Series 2015 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2015 Bonds for federal income tax purposes.

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

“*Dissemination Agent*” shall mean Simmons First Trust Company, N.A., 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.

“*Material Event*” means the occurrence of any of the following events with respect to the Series 2015 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.

“*Material Events Disclosure*” means dissemination of a notice of a Material 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 Series 2015 Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Material Events with the MSRB at [www.emma.msrb.org](http://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. (the “Underwriter”), the Series 2015 Bonds are being purchased at a purchase price of \$8,994,725.65 (representing the stated principal amount of the Series 2015 Bonds plus a reoffering premium of \$80,225.65 and less an underwriting discount of \$85,500.00). The bond purchase agreement provides that the Underwriter will purchase all of the Series 2015 Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2015 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 Series 2015 Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial condition of the City.

Mark C. Doramus, Chief Financial Officer of the Underwriter, serves on the Board of Directors of the Trustee.

The Underwriter intends to offer the Series 2015 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 Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2015 Bonds to the public, and may offer the Series 2015 Bonds to such dealers and other underwriters at a price below the public offering price.

The City has agreed to indemnify the Underwriter against certain civil liabilities in connection with the offering and sale of the Series 2015 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 Series 2015 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 Series 2015 Bonds. Failure to comply with such requirements could cause interest on the Series 2015 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2015 Bonds. The City has covenanted to comply with such requirements.

Notwithstanding Bond Counsel's opinion that interest on the Series 2015 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).

*Bank Qualification.* The City has represented that it does not reasonably anticipate issuing greater than \$10,000,000 of tax-exempt obligations in calendar year 2015 (excluding certain private activity and refunding bonds) and that it has designated the Series 2015 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. Accordingly, Bond Counsel is of the opinion that in the case of certain banks, thrift institutions or other financial institutions owning the Series 2015 Bonds, a deduction is allowed for 80% of that portion of such institutions' interest expense allocable to interest on the Series 2015 Bonds. Bond Counsel has expressed no opinion with respect to any deduction for federal income tax purposes of interest incurred or continued by a holder of the Series 2015 Bonds or a related person to purchase or carry the Series 2015 Bonds.

*Original Issue Premium.* The Series 2015 Bonds maturing November 1, 2016, 2017, 2018 and 2019 (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 Series 2015 Bonds.

The accrual or receipt of interest on the Series 2015 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2015 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 Series 2015 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 Series 2015 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 Series 2015 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 Series 2015 Bonds from gross income for federal income purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

*State Taxes.* Bond Counsel is of the opinion that, under existing law, the interest on the Series 2015 Bonds is exempt from all state, county and municipal taxes in the State of Arkansas.

*Changes in Federal and State Tax Law.* From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2015 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 Series 2015 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular lawsuit will be resolved, or whether the Series 2015 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2015 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 Series 2015 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.

### **RATING**

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), has assigned a rating of "AA-" (stable outlook) to the Series 2015 Bonds. 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 Series 2015 Bonds.

Neither the City nor the Underwriter has undertaken any responsibility subsequent to the issuance of the Series 2015 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 Series 2015 Bonds.

### **LEGAL MATTERS**

*Legal Opinions.* Legal matters incident to the authorization and issuance of the Series 2015 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 Series 2015 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, Kit Williams, Esq., City Attorney.

*Litigation.* There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Series 2015 Bonds or questioning or affecting the legality of the Series 2015 Bonds or the proceedings and authority under which the Series 2015 Bonds are to be issued, or questioning the right of the City to issue the Series 2015 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 Sales and Use Taxes or the City's ability to pay debt service with respect to the Series 2015 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 Series 2015 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.

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## APPENDIX A

### Proposed Form of Bond Counsel Opinion

Upon delivery of the Series 2015 Bonds in definitive form, Kutak Rock LLP, Little Rock, Arkansas, proposes to deliver its approving opinion in substantially the following form:

November \_\_\_\_, 2015

City of Fayetteville, Arkansas  
Fayetteville, Arkansas

Simmons First Trust Company, N.A., as Trustee  
Pine Bluff, Arkansas

Stephens Inc.  
Fayetteville, Arkansas

Assured Guaranty Municipal Corp.  
New York, New York

\$9,000,000  
City of Fayetteville, Arkansas  
Sales and Use Tax Capital Improvement Bonds  
Series 2015

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the City of Fayetteville, Arkansas (the “City”), a political subdivision of the State of Arkansas, of its \$9,000,000 Sales and Use Tax Capital Improvement 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. 2015) §§14-164-301 *et seq.* (as from time to time amended, the “Act”), pursuant to Ordinance No. 5803 of the City, duly adopted and approved on October 6, 2015 (the “Authorizing Ordinance”), and pursuant to a Trust Indenture dated as of November 1, 2006, as amended and supplemented by a First Supplemental Trust Indenture dated as of October 1, 2007, by a Second Supplemental Trust Indenture dated as of November 1, 2009, by a Third Supplemental Trust Indenture dated as of November 1, 2013, and by a Fourth Supplemental Trust Indenture dated as of November 1, 2015 (as amended and supplemented, the “Indenture”), by and between the City and Simmons First Trust Company, N.A., 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 conditions for the issuance of parity indebtedness by the City, 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 Kit Williams, 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 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 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 are payable from and security by a valid lien on and pledge of the Trust Estate (as defined in the Indenture), including receipts of the 0.25% Sales and Use Tax and the 0.75% Sales and Use Tax (each as defined in the Indenture), in the manner and to the extent provided in the Indenture. Such lien and pledge are made on a parity basis with the existing lien and pledge of the Trust Estate securing (i) the City's Sales and Use Tax Capital Improvement Bonds, Series 2006A, (ii) the City's Sales and Use Tax Capital Improvement Bonds, Series 2007, (iii) the City's Sales and Use Tax Capital Improvement Bonds, Series 2009, and (iv) the City's Sales and Use Tax Capital Improvement Bonds, Series 2013. The City is duly authorized to pledge such Trust Estate, and no further action on the part of the City or any other party is required to perfect the same or the interest of the owners of the Bonds therein.

5. The 0.25% Sales and Use Tax and the 0.75% Sales and Use Tax have been validly adopted in accordance with the Constitution and laws of the State of Arkansas, including Amendment 62 and the Act, and may be validly pledged to secure the Bonds. Levy and collection of the 0.25% Sales and Use Tax commenced as of January 1, 2007, and levy and collection of the 0.75% Sales and Use Tax commenced as of August 1, 2014.

6. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions described in the preceding sentences assume 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 (the "Code"), that must be met subsequent to the issuance of the Bonds. Failure to comply with certain of 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. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for eighty percent (80%) of that portion of such financial institution's interest expense allocable to interest on the Bonds. 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**

### **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.

“Act” means the Local Government Bond Act of 1985, codified as Arkansas Code Annotated (1998 Repl. & Supp. 2015) Sections 14-164-301 *et seq.*, as from time to time amended.

“Additional Bonds” means Bonds in addition to the Series 2006A Bonds, the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds and the Series 2015 Bonds which are issued under the provisions 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 Bonds or from sources other than Sales and Use Tax receipts.

“AGM” means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

“Authorized Representative” means either the Mayor or the Finance Director of the City 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, collectively, (i) Ordinance No. 4936, adopted by the City on October 3, 2006, which authorized the issuance of the Series 2006A Bonds pursuant to the Indenture, (ii) Ordinance No. 5054, adopted by the City on August 23, 2007, which authorized the issuance of the Series 2007 Bonds pursuant to the Indenture, (iii) Ordinance No. 5277, adopted by the City on October 6, 2009, which authorized the issuance of the Series 2009 Bonds pursuant to the Indenture, (iv) Ordinance No. 5619, adopted by the City on September 17, 2013, which authorized the issuance of the Series 2013 Bonds pursuant to the Indenture, and (v) Ordinance No. 5803, adopted by the City on October 6, 2015, which authorized the issuance of the Series 2015 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 Series 2006A Bonds, the Series 2007 Bonds, the Series 2009 Bonds, the Series 2013 Bonds, the Series 2015 Bonds and all Additional Bonds issued by the City 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 Fayetteville, 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, with respect to any series of Bonds, the date upon which there is an exchange of such series of Bonds for the proceeds representing the purchase price for such series of Bonds 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 a particular Project (or portion thereof) is first ready for normal continuous operation, as determined by a Qualified Engineer.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement between the City and the Trustee, dated the date of issuance and delivery of the Series 2015 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 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.

“Election Ordinance” means Ordinance No. 4891, adopted by the City Council on June 20, 2006, pursuant to which there was submitted to the qualified electors of the City the four questions relating to the issuance of the Bonds.

“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.

“Government Securities” means (a) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America, (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

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

“Indenture” means the Trust Indenture dated as of November 1, 2006, as amended and supplemented by a First Supplemental Trust Indenture dated as of October 1, 2007, by a Second Supplemental Trust Indenture dated as of November 1, 2009, by a Third Supplemental Trust Indenture dated as of November 1, 2013, and by a Fourth Supplemental Trust Indenture dated as of November 1, 2015, each by and 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) cash (fully insured by the Federal Deposit Insurance Corporation);
- (b) Government Securities;
- (c) Federal Housing Administration debentures;
- (d) The obligations of the following government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
  - 1) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);
  - 2) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;
  - 3) Federal Home Loan Banks (FHL Banks) consolidated debt obligations; and
  - 4) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);
- (e) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated “A-1+” or better by S&P and “Prime-1” by Moody’s;
- (f) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least \$15 million;
- (g) Commercial paper (having original maturities of not more than 270 days) rated “A-1+” by S&P and “Prime-1” by Moody’s;
- (h) Money market funds rated “Aam” or “AAm-G” by S&P, or better and if rated by Moody’s rated “Aa2” or better;
- (i) “State Obligations”, which means:
  - 1) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least “A3” by Moody’s and at least “A-” by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated;
  - 2) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated “A-1+” by S&P and “MIG-1” by Moody’s; and
  - 3) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated “AA-” or better by S&P and “Aa3” or better by Moody’s;
- (j) Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s meeting the following requirements:
  - 1) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable

instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

- 2) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
- 3) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification Report”);
- 4) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
- 5) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and
- 6) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent; and

(k) the Reserve Fund Insurance Policy.

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

“Original Purchaser” means the first purchaser(s) of a series 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.

“Participants” means those financial institutions for whom 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.

“Projects” means, collectively, the Street Project, the Trail Project and the Wastewater Project.

“Project Costs” means, to the extent permitted by the 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) interest accruing in whole or in part on the Bonds prior to and during construction of the Projects, including all amounts required by the Indenture to be paid from the proceeds of the Bonds into the Bond Fund;

(b) 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;

(c) all costs relating to injury and damage claims arising out of the acquisition, construction or equipping of the Projects;

(d) all other costs incurred in connection with, and properly allocable to, the acquisition, construction and equipping of the Projects; and

(e) 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.

"Qualified Engineer" means an independent consulting engineer or firm of independent consulting engineers not in the regular employ of the City.

"Rating Agency" means Moody's Investors Service, Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., or Fitch, Inc., and their respective successors and assigns. If any such corporation ceases to act as a securities rating agency, the City may appoint any nationally recognized securities rating agency as a replacement.

"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, with respect to each series of Bonds, an amount equal to 5% of the original principal amount of such series of 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, including the Reserve Fund Insurance Policy.

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

"Reserve Fund Insurance Policy" means the municipal bond debt service reserve insurance policy issued by AGM and deposited in the Debt Service Reserve Fund.

"0.25% Sales and Use Tax" means the one-quarter of one percent (0.25%) city-wide sales and use tax authorized under the Act which has been levied within the City pursuant to the Election Ordinance and approved by the voters of the City, the collection of which tax commenced on January 1, 2007.

“0.75% Sales and Use Tax” means the three-quarters of one percent (0.75%) city-wide sales and use tax authorized under the Act which has been levied within the City pursuant to the Election Ordinance and approved by the voters of the City, the collection of which tax will commenced as of August 1, 2014.

“Sales and Use Taxes” mean, collectively, the 0.25% Sales and Use Tax and the 0.75% Sales and Use Tax. Receipts of the Sales and Use Taxes are pledged to the payment of Debt Service on the Bonds.

“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.

“Series 2006A Bonds” means the City’s Sales and Use Tax Capital Improvement Bonds, Series 2006A, issued in the original aggregate principal amount of \$50,000,000.

“Series 2007 Bonds” means the City’s Sales and Use Tax Capital Improvement Bonds, Series 2007, issued in the original aggregate principal amount of \$14,340,000.

“Series 2009 Bonds” means the City’s Sales and Use Tax Capital Improvement Bonds, Series 2009, issued in the original aggregate principal amount of \$11,250,000.

“Series 2013 Bonds” means the City’s Sales and Use Tax Capital Improvement Bonds, Series 2013, issued in the original aggregate principal amount of \$22,750,000.

“Series 2015 Bonds” means the City’s Sales and Use Tax Capital Improvement Bonds, Series 2015, issued in the original aggregate principal amount of \$9,000,000.

“State” means the State of Arkansas.

“Street Project” means the acquisition, construction, reconstruction, repair, straightening and widening of certain City streets and related improvements, as described in the Election Ordinance and eligible for financing with the proceeds of the Bonds in aggregate principal amount not to exceed \$65,900,000.

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

“Surplus Tax Receipts” shall have the meaning ascribed to such term in Section 503 of the Indenture.

“Tax Regulatory Agreement” means that Tax Regulatory Agreement of the City relating to maintenance of the excludability of interest on the Series 2015 Bonds from gross income for federal income tax purposes, delivered in connection with the issuance of the Series 2015 Bonds.

“Trail Project” means the acquisition, construction and equipping of certain City trail system improvements, as described in the Election Ordinance and eligible for financing with the proceeds of the Bonds in aggregate principal amount not to exceed \$2,100,000.

“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 Simmons First Trust Company, N.A.

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

“Wastewater Project” means the acquisition, construction, reconstruction, extension, improving and equipping of certain improvements to the City’s wastewater treatment plants, sewerage and related facilities, as described in the Election Ordinance and eligible for financing with the proceeds of the Bonds in aggregate principal amount not to exceed \$39,340,000.

## APPENDIX C

### THE SALES AND USE TAX

*Sales Tax.* The sales tax portion of the Sales and Use Taxes 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 that become part of commercial jet aircraft components or subcomponents, and the services required to incorporate the parts or other tangible personal property into the commercial 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 Taxes 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.