

OFFICIAL STATEMENT

**NEW ISSUE
BOOK-ENTRY ONLY**

***RATING: S&P: "A" (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 representation and continuing compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Under existing law, Bond Counsel is of the opinion that the Bonds and the interest thereon are exempt from all state, county and municipal taxes in the State of Arkansas. See the caption "TAX MATTERS" herein.

**\$26,500,000
CITY OF FAYETTEVILLE, ARKANSAS
LIBRARY IMPROVEMENT BONDS
SERIES 2017**

Dated: Date of Delivery

Due: January 1, as shown on inside cover

The Library Improvement Bonds, Series 2017 (the "Bonds"), are being issued by the City of Fayetteville, Arkansas (the "City") pursuant to Amendment 30 to the Constitution of the State of Arkansas and the Local Government Library Bond Act of 1993 for the purpose of (i) paying a portion of the costs of certain capital improvements to the Fayetteville Public Library (the "Project"), and (ii) paying certain expenses in connection with the issuance of the Series 2017 Bonds. See the captions "SOURCES AND USES OF FUNDS" and "THE PROJECT" herein.

The Series 2017 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 2017 Bonds will be made so long as Cede & Co. is the registered owner of the Series 2017 Bonds. Individual purchases of the Series 2017 Bonds will be made only in book-entry form, in denominations of \$5,000 or integral multiples thereof. Individual purchasers ("Beneficial Owners") of Series 2017 Bonds will not receive physical delivery of bond certificates. See the caption "BOOK-ENTRY ONLY SYSTEM" herein.

The Series 2017 Bonds shall bear interest from their dated date, payable on January 1 and July 1 of each year, commencing January 1, 2018. All such interest payments shall be payable to the persons in whose name such Series 2017 Bonds are registered on the bond registration books maintained by the Simmons Bank, Pine Bluff, Arkansas, as trustee and paying agent (the "Trustee"), as of the fifteenth day of the calendar month next preceding the calendar month in which the applicable interest payment date falls. Principal of and premium, if any, on the Series 2017 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 2017 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 July 1, 2017 (the "Indenture"), between the City and the Trustee, the payment of the principal of, premium, if any, and interest on the Series 2017 Bonds is secured by a pledge of the receipts from (i) a one and two-tenths (1.20) mill city tax on real and personal property within the City, together with all penalties and interest with respect thereto (the "Library Tax"), and (ii) the City's allocable portion of a one-half of one percent (0.5%) statewide sales and use tax levied pursuant to Amendment 79 to the Constitution of the State of Arkansas ("Amendment 79"), which is intended to offset decreases in the Library Tax resulting from homestead exemptions implemented pursuant to Amendment 79 (the "Special Tax Collections"). Receipts derived by the City from the Library Tax and the Special Tax Collections are collectively referred to hereinafter as the "Tax Receipts." See the captions "SECURITY FOR THE BONDS" and "PROPERTY TAX RECEIPTS" herein. Assuming satisfaction of certain coverage tests, the City has reserved the right to issue additional bonds to be secured on a parity basis with the Series 2017 Bonds. See the caption "THE SERIES 2017 BONDS - Additional Bonds" herein. The Series 2017 Bonds are subject to optional and mandatory redemption prior to maturity as more fully described herein under the caption "THE SERIES 2017 BONDS - Redemption."

The Series 2017 Bonds are special limited tax obligations of the City secured by and payable solely from receipts of the Library Tax and the Special Tax Collections. The Series 2017 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 2017 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 2017 Bonds, except as described herein with respect to the Tax Receipts.

The Series 2017 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 2017 Bonds will be available for delivery in New York, New York, on or about July 19, 2017.

Stephens Inc.

The date of this Official Statement is June 13, 2017.

* See the caption "RATING" herein.

MATURITY SCHEDULE

<u>Maturity (January 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2018	\$560,000	3.000%	0.900%	31266W AA1
2019	530,000	3.000%	1.100%	31266W AB9
2020	545,000	3.000%	1.250%	31266W AC7
2021	565,000	3.000%	1.400%	31266W AD5
2022	580,000	3.000%	1.550%	31266W AE3
2023	600,000	3.000%	1.700%	31266W AF0
2024	615,000	3.000%	1.900%	31266W AG8
2025	635,000	3.000%	2.100%	31266W AH6
2026	655,000	3.000%	2.300%	31266W AJ2
2027	675,000	3.000%	2.450%	31266W AK9

\$3,800,000 4.000% Term Bond due January 1, 2032 Yield: 3.030%* CUSIP: 31266W AL7

\$4,635,000 4.000% Term Bond due January 1, 2037 Yield: 3.330%* CUSIP: 31266W AM5

\$5,570,000 3.375% Term Bond due January 1, 2042 Yield: 3.460% CUSIP: 31266W AN3

\$6,535,000 3.050% Term Bond due January 1, 2047 Yield: 3.050% CUSIP: 31266W AP8

* Priced to expected call date of January 1, 2027

** CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by S&P Capital IQ, a business unit of Standard & Poor's Financial Services LLC. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the Series 2017 Bonds. The City and the Underwriter are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2017 Bonds by the City or by the Underwriter. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2017 Bonds.

CITY OF FAYETTEVILLE, ARKANSAS

Issuer

City Council

Lioneld Jordan, Mayor

Sarah Bunch

Adella Gray

Mark Kinion

John La Tour

Alan Long

Sarah Marsh

Matthew Petty

Justin Tennant

Don Marr, Chief of Staff

Paul Becker, Finance Director

Sondra Smith, City Clerk

Kit Williams, City Attorney

Fayetteville Public Library Board of Trustees

Hershey Garner, President

Janine Parry, Vice President

Maylon Rice, Secretary

Bryn Bagwell

Suzanne Clark

Bret Park

Rob Qualls

David Johnson, Executive Director

SIMMONS BANK

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 2017 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 2017 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 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$26,500,000
CITY OF FAYETTEVILLE, ARKANSAS
LIBRARY IMPROVEMENT BONDS
SERIES 2017

INTRODUCTORY STATEMENT

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

This Official Statement, including the cover page and the Appendix hereto, is furnished in connection with the offering of Library Improvement Bonds, Series 2017, in the principal amount of \$26,500,000 (the “Series 2017 Bonds”), by the City of Fayetteville, Arkansas (the “City”).

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 the laws of the State, including particularly Amendment 30 to the Constitution of the State, as amended by Amendment 72 to the Constitution of the State (as amended, “Amendment 30”), and the Local Government Library Bond Act of 1993, Arkansas Code Annotated (1998 Repl. & 2015 Supp.) §§14-142-201 *et seq.* (as from time to time amended, the “Act”), to issue and sell its bonds for the purpose of financing improvements to the Fayetteville Public Library.

The Series 2017 Bonds are to be issued by the City pursuant to Amendment 30, the Act and Ordinance No. 5903, adopted and approved by the City Council on September 20, 2016 (the “Authorizing Ordinance”), for the purpose of (i) paying a portion of the costs of financing the acquisition, construction and equipping of capital improvements to the Fayetteville Public Library (the “Project”), and (ii) paying certain expenses in connection with the issuance of the Series 2017 Bonds. See the captions “SOURCES AND USES OF FUNDS” and “THE PROJECT” herein. The issuance of the Series 2017 Bonds and the levy of the Library Tax (defined below) were approved by a majority of the qualified electors of the City at a special election held August 9, 2016.

The Series 2017 Bonds are not general obligations of the City, but are special limited tax obligations payable solely from and secured by a pledge of the receipts from (i) a one and two-tenths (1.20) mill city ad valorem tax levied pursuant to Amendment 30 on real and personal property within the City, together with all penalties and interest with respect thereto (the “Library Tax”), and (ii) the City’s allocable portion of a one-half of one percent (0.5%) statewide sales and use tax levied pursuant to Amendment 79 to the Constitution of the State of Arkansas (“Amendment 79”), which is intended to offset decreases in the Library Tax resulting from homestead exemptions implemented pursuant to Amendment 79 (the “Special Tax Collections”). The City has levied the Library Tax at the rate of one and two-tenths (1.20) mill (.0012) for collection in 2017 and continuously in each year thereafter. The City has covenanted that the Library Tax will be levied and collected annually and that it and the Special Tax Collections will be pledged as security for the Series 2017 Bonds until all of the outstanding Series 2017 Bonds, together with interest thereon and related costs and fees have been paid in full. Receipts derived by the City from the Library Tax and the Special Tax Collections are collectively referred to hereinafter as the “Tax Receipts.” See the captions “SECURITY FOR THE BONDS,” “PROPERTY TAX RECEIPTS” and “SUMMARY OF THE INDENTURE” herein.

The Series 2017 Bonds are special limited tax obligations of the City secured by and payable solely from receipts of the Library Tax and the Special Tax Collections. The Series 2017 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 2017 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 2017 Bonds, except as described herein with respect to the Tax Receipts.

Additional Bonds may be issued on a parity of security with the Series 2017 Bonds under certain circumstances set forth in the Indenture (hereinafter defined). The Series 2017 Bonds and any such Additional Bonds are herein collectively referred to as the “Bonds.” See the caption “THE SERIES 2017 BONDS - *Additional Bonds*” and “- *Superior Obligations Prohibited*” herein.

The Series 2017 Bonds are subject to optional and mandatory redemption as provided under the caption “THE SERIES 2017 Bonds – *Redemption*” herein.

Pursuant to the provisions of a Continuing Disclosure Agreement dated as of the date of delivery of the Series 2017 Bonds, by and between the City and Simmons Bank, 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 Tax Receipts and of the occurrence of certain specified 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 2017 Bonds, the Tax Receipts, the Continuing Disclosure Agreement, and the Trust Indenture dated as of July 1, 2017 (the “Indenture”), by and between the City and Simmons Bank, Pine Bluff, Arkansas, as trustee and paying agent (the “Trustee”), pursuant to which the Series 2017 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 2017 Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto included in the Indenture. Copies of the Continuing Disclosure Agreement, the Indenture, and the form of Series 2017 Bond included therein are available from the City by writing to the attention of the City Clerk, 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. Tax Receipt 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 2017 BONDS

Description. The Series 2017 Bonds will be initially dated as their date of delivery, and will bear interest payable semiannually on January 1 and July 1 of each year, commencing January 1, 2018, at the rates set forth on the inside cover page hereof. The Series 2017 Bonds will mature on January 1 in the years and in the principal amounts set forth on the inside cover page hereof.

The Series 2017 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 2017 Bonds will be made so long as Cede & Co. is the registered owner of the Series 2017 Bonds. Individual purchases of the Series 2017 Bonds will be made only in book-entry form, in denominations of \$5,000 or integral multiples thereof. Individual purchasers (“Beneficial Owners”) of Series 2017 Bonds will not receive physical delivery of bond certificates. See the caption “BOOK-ENTRY ONLY SYSTEM” herein.

All interest payments on the Series 2017 Bonds shall be payable to the persons in whose name such Series 2017 Bonds are registered on the bond registration books maintained by the Trustee, as of the fifteenth day of the calendar month next preceding the calendar month in which the applicable interest payment date falls. Principal of and premium, if any, on the Series 2017 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 2017 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 2017 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. (1) The Series 2017 Bonds are subject to redemption prior to maturity at the election of the City, on and after January 1, 2027, in whole or in part (in any order of maturities directed by the City, and by lot within a maturity) at any time, at a redemption price equal to 100% of the principal amount being redeemed, plus accrued interest to the date of redemption.

(2) The Series 2017 Bonds shall be redeemed prior to maturity, in whole or in part (in inverse order of maturities and by lot within a maturity), on any Interest Payment Date, at a redemption price equal to 100% of the principal amount being redeemed, plus accrued interest to the date of redemption, from moneys on deposit in the Project Fund in excess of the amount needed to complete the Project.

(3) The Series 2017 Bonds shall be redeemed prior to maturity, in whole or in part (in inverse order of maturities and by lot within a maturity), on any Principal Payment Date, 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 (being amounts over and above the amount necessary to pay (i) current requirements of principal of and interest on the Series 2017 Bonds and Trustee and Paying Agent fees and expenses and (ii) amounts due on the next succeeding Interest Payment Date).

(4) The Series 2017 Bonds maturing on January 1, 2032, are subject to mandatory sinking fund redemption prior to maturity in part, selected by lot by the Trustee in such manner as it may determine, on January 1 in the years and amounts set forth below at a redemption price equal to 100% of the principal amount being redeemed, plus accrued interest to the date of redemption.

Year	Principal Amount
2028	\$700,000
2029	730,000
2030	760,000
2031	790,000
2032 (maturity)	820,000

(5) The Series 2017 Bonds maturing on January 1, 2037, are subject to mandatory sinking fund redemption prior to maturity in part, selected by lot by the Trustee in such manner as it may determine, on January 1 in the years and amounts set forth below at a redemption price equal to 100% of the principal amount being redeemed, plus accrued interest to the date of redemption.

Year	Principal Amount
2033	\$855,000
2034	890,000
2035	925,000
2036	965,000
2037 (maturity)	1,000,000

(6) The Series 2017 Bonds maturing on January 1, 2042, are subject to mandatory sinking fund redemption prior to maturity in part, selected by lot by the Trustee in such manner as it may determine, on January 1 in the years and amounts set forth below at a redemption price equal to 100% of the principal amount being redeemed, plus accrued interest to the date of redemption.

Year	Principal Amount
2038	\$1,040,000
2039	1,075,000
2040	1,115,000
2041	1,150,000
2042 (maturity)	1,190,000

(7) The Series 2017 Bonds maturing on January 1, 2047, are subject to mandatory sinking fund redemption prior to maturity in part, selected by lot by the Trustee in such manner as it may determine, on January 1 in the years and amounts set forth below at a redemption price equal to 100% of the principal amount being redeemed, plus accrued interest to the date of redemption.

Year	Principal Amount
2043	\$1,230,000
2044	1,265,000
2045	1,305,000
2046	1,345,000
2047 (maturity)	1,390,000

At its option, to be exercised on or before the 45th day next preceding any mandatory sinking fund redemption date for any Series 2017 Bonds maturing January 1, 2032, January 1, 2037, January 1, 2042 and January 1, 2047 (the "Series 2017 Term Bonds"), the City may deliver to the Trustee for cancellation Series 2017 Term Bonds, or portions thereof (\$5,000 or any integral multiple thereof), in any aggregate principal amount desired. Each such Series 2017 Term Bond, or portion thereof, so delivered or previously redeemed (otherwise than through mandatory sinking fund redemption) and canceled by the Trustee shall be credited by the Trustee at 100% of the principal amount thereof on

the obligation of the City on such mandatory sinking fund redemption date, and any excess over such amount shall be credited on future mandatory sinking fund redemption obligations with respect to the Series 2017 Term Bonds in chronological order, and the principal amount of such Series 2017 Term Bonds so to be redeemed shall be accordingly reduced.

Partial Redemption of a Series 2017 Bond. If less than all of the Series 2017 Bonds of a maturity are called for redemption, the particular Series 2017 Bonds or portions of Series 2017 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 2017 Bonds, the procedures established by DTC shall control with respect to the selection of the particular Series 2017 Bonds to be redeemed.

Notice of Redemption. Notice of the call for any redemption (other than mandatory sinking fund redemption), identifying the Series 2017 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 2017 Bonds, by any other means acceptable to DTC, including facsimile) to the registered owner of each such Series 2017 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 2017 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 (i) financing Project costs in connection with the acquisition, construction and/or equipping of a Project, (ii) refunding the Series 2017 Bonds or any series of Additional Bonds, in whole or in part, or (iii) any combination thereof. Additional Bonds shall be secured equally and ratably with the Series 2017 Bonds and any other series of Additional Bonds theretofore issued and then Outstanding, except insofar as 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 any particular series of Bonds. Before any Additional Bonds are authenticated, there shall be delivered to the Trustee the items required for the issuance of Bonds by the Indenture, plus a Certificate of the Finance Director of the City certifying that, based upon necessary investigation, the Tax Receipts deposited into the Revenue Fund during the most recent twelve (12) months were not less than 120% of the maximum Annual Debt Service on all then Outstanding Bonds, plus the Additional Bonds then proposed to be issued. Notwithstanding the foregoing, no Additional Bonds shall be issued unless there is no default at the time of issuance under the Indenture and the aggregate principal amount of all Bonds issued shall not exceed \$26,500,000.

Superior Obligations Prohibited. Except to the extent as provided above with respect to the issuance of Additional Bonds, so long as Bonds are Outstanding under the Indenture, the City has covenanted not to create or permit the creation of any indebtedness, or to issue any bonds, notes, warrants, certificates or other obligations or evidences of indebtedness payable in any manner from the Tax Receipts or otherwise from the Trust Estate which (i) will in any way be superior to or rank on a parity with the Bonds, or (ii) will in any way be secured by a lien and charge on the Tax Receipts or on the moneys deposited in or to be deposited in the Revenue Fund, prior to or equal with the lien, pledge and charge created in the Indenture for the security of the Bonds, or (iii) will be payable prior to or equal with the payments to be made from the Tax Receipts or the Revenue Fund into the Bond Fund, or from said Bond Fund for the payment of the Bonds. The City is not prohibited or restricted from issuing bonds payable from Tax Receipts so long as use of the Tax Receipts in favor of said bonds shall be made expressly subject and subordinate to the pledge and use of Tax Receipts to pay principal of and premium, if any, and interest on the Bonds and to make all required deposits into all funds held by the Trustee pursuant to the Indenture.

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

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

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

So long as DTC or its nominee is the sole registered owner of the Series 2017 Bonds, transfers of beneficial interests in the Series 2017 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

Tax Receipts. The Series 2017 Bonds are not general obligations of the City, but are special limited tax obligations payable solely from and secured by a pledge of the receipts from (i) a one and two-tenths (1.20) mill city ad valorem tax levied pursuant to Amendment 30 on real and personal property within the City, together with all penalties and interest with respect thereto (the "Library Tax"), and (ii) the City's allocable portion of a one-half of one percent (0.5%) statewide sales and use tax levied pursuant to Amendment 79 to the Constitution of the State of Arkansas ("Amendment 79"), which is intended to offset decreases in the Library Tax resulting from homestead exemptions implemented pursuant to Amendment 79 (the "Special Tax Collections"). Receipts of the Library Tax and the Special Tax Collections are referred to collectively herein as the "Tax Receipts."

The Series 2017 Bonds are not secured by any lien on or security interest in any physical property.

The Library Tax will be a continuing annual levy until sufficient collections have been received to retire all of the Series 2017 Bonds, plus Trustee and Paying Agent fees and expenses. Pursuant to the provisions of Amendment 30 and the Act, the levy of the Library Tax and the issuance of the Series 2017 Bonds were approved by the electors of the City at a special election held on August 9, 2016.

The electors of the State of Arkansas approved Amendment 79 to the Arkansas Constitution at the November 2000 General Election. Amendment 79, which was effective on January 1, 2001, provides for annual credit against ad valorem taxes imposed on a homestead. As directed by Amendment 79, the Arkansas General Assembly has instituted a statewide sales and use tax at the rate of one-half of one percent (0.5%) for the purpose of assuring that millage levied to pay bonded indebtedness will provide a level of income sufficient to meet current debt service and other expense requirements. The City's share of said sales and use tax receipts relating to the Library Tax is defined herein as the "Special Tax Collections." See the caption "SUMMARY OF ARKANSAS AD VALOREM TAX PROCEDURES – Amendment 79" herein.

Arkansas ad valorem taxes are levied by various taxing authorities, assessed against real and personal property by county assessors, and collected by county collectors and remitted to the respective taxing authorities. See the caption "PROPERTY TAX RECEIPTS – *Collection of Taxes*" herein. All Tax Receipts will be deposited as received by the City or the Trustee into a special fund held by the Trustee (the "Revenue Fund"). All moneys held for the credit of the Revenue Fund shall be continuously invested in Investment Obligations (as defined in the Indenture). Until retirement of the Series 2017 Bonds, the Tax Receipts cannot be used for any purpose other than the payments of debt service on the Series 2017 Bonds, payment of arbitrage rebate, and the payment of Trustee and Paying Agent fees and expenses. Upon retirement of the Series 2017 Bonds, any surplus Library Tax collections which may have accumulated shall be transferred to the general fund of the City and shall be used for the maintenance and operation of the Fayetteville Public Library.

The City will levy the Library Tax at the rate of one and two-tenths (1.20) mill (.0012) for collection in 2017 and continuously in each year thereafter. See the caption "PROPERTY TAX RECEIPTS - *Coverage*" herein for an estimate of future collections of the Library Tax based on historical collections of existing ad valorem taxes of the City.

The Series 2017 Bonds are special limited tax obligations of the City secured by and payable solely from receipts of the Library Tax and the Special Tax Collections. The Series 2017 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 2017 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 2017 Bonds, except as described herein with respect to the Tax Receipts.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security will be issued for each maturity of the Series 2017 Bonds, in the aggregate principal amount of such maturity, and will be deposited with 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 2017 Bonds for all purposes under the Indenture.

Owners of any book entry interests in the Series 2017 Bonds described below, will not receive or have the right to receive physical delivery of the Series 2017 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 2017 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 securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered 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”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2017 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 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 the Series 2017 Bonds, except in the event that use of the Book-Entry System for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 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 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2017 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 2017 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 any other DTC nominee) will consent or vote with respect to the Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2017 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 2017 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 2017 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 2017 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 2017 Bonds made to DTC or its nominee as the registered owner of the Series 2017 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 2017 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 PROJECT

In response to overwhelming community use of the Library’s existing Blair Library facility and the continued growth in population of the City and surrounding region, the Fayetteville Public Library Board of Trustees commissioned a 2030 Master Plan (the “Master Plan”) prepared by Meyer Scherer & Rockcastle, LTD, an architecture and interior design firm based in Minneapolis, Minnesota. The Master Plan identified space needs for the Library through 2030 and recommended a LEED-certified expansion (the “Expansion”) to the existing Library facility. See the caption “THE PUBLIC LIBRARY BOARD OF TRUSTEES” herein for a description of the existing Library facility.

It is anticipated that the Expansion will contain approximately 80,000 square feet and will include a youth services department twice the size of existing space dedicated for such purpose, a multi-purpose auditorium with a 700-800 person seating capacity, new teen service space, digital and robotics maker space, a new genealogy, state and local history research center, and a small business center, as well as additional space for traditional print and media materials. The Expansion will be constructed on owned property immediately adjacent to the existing Library facility and will be connected thereto.

The City is currently coordinating with the Fayetteville Public Library Board of Trustees to solicit statements of qualifications from qualified architectural firms to provide design, construction observation and ancillary services necessary to construct the LEED-certified Expansion. It is anticipated that an architectural firm will be selected on or about July 25, 2017, and a contractor engaged in the third quarter of 2017. Current plans call for the commencement of construction of the Expansion in the second quarter of 2018, with completion of the Expansion expected in the second quarter of 2022.

The preliminary estimate of the total cost of acquiring, constructing and equipping the Expansion is approximately \$50 million. Approximately \$26,905,000 of such amount will be paid from Series 2017 Bond proceeds. See the caption “SOURCES AND USES OF FUNDS” herein. The remaining costs of the Expansion are expected to be funded by private donations. A capital campaign for such purpose is scheduled to begin in the Fall of 2017.

SOURCES AND USES OF FUNDS

The proceeds of the Series 2017 Bonds will be used as follows:

Sources of Funds

Series 2017 Bond Par Amount	\$26,500,000
Net Reoffering Premium	<u>768,647</u>
Total Sources:	<u>\$27,268,647</u>

Uses of Funds

Deposit to Project Fund	\$26,905,000
Costs of Issuance and Underwriter’s Discount	359,615
Contingency	<u>4,032</u>
Total Uses:	<u>\$27,268,647</u>

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DEBT SERVICE REQUIREMENTS

As of the date of closing, the Series 2017 Bonds will constitute the only debt obligations secured by the Tax Receipts. The following table sets forth the amounts required to pay scheduled principal of and interest on the Series 2017 Bonds during each Bond Year:

Bond Year ⁽¹⁾	Series 2017 Principal ⁽²⁾	Series 2017 Interest	Total Debt Service
2018	\$ 560,000	\$ 406,577	\$ 966,577
2019	530,000	886,705	1,416,705
2020	545,000	870,805	1,415,805
2021	565,000	854,455	1,419,455
2022	580,000	837,505	1,417,505
2023	600,000	820,105	1,420,105
2024	615,000	802,105	1,417,105
2025	635,000	783,655	1,418,655
2026	655,000	764,605	1,419,605
2027	675,000	744,955	1,419,955
2028	700,000	724,705	1,424,705
2029	730,000	696,705	1,426,705
2030	760,000	667,505	1,427,505
2031	790,000	637,105	1,427,105
2032	820,000	605,505	1,425,505
2033	855,000	572,705	1,427,705
2034	890,000	538,505	1,428,505
2035	925,000	502,905	1,427,905
2036	965,000	465,905	1,430,905
2037	1,000,000	427,305	1,427,305
2038	1,040,000	387,305	1,427,305
2039	1,075,000	352,205	1,427,205
2040	1,115,000	315,924	1,430,924
2041	1,150,000	278,293	1,428,293
2042	1,190,000	239,480	1,429,480
2043	1,230,000	199,317	1,429,317
2044	1,265,000	161,803	1,426,803
2045	1,305,000	123,220	1,428,220
2046	1,345,000	83,417	1,428,417
2047	<u>1,390,000</u>	<u>42,395</u>	<u>1,432,395</u>
Totals:	<u>\$26,500,000</u>	<u>\$15,793,681</u>	<u>\$42,293,681</u>

⁽¹⁾ The twelve-month period ending January 1.

⁽²⁾ Including mandatory sinking fund redemptions.

ESTIMATED DEBT SERVICE COVERAGE

The following table shows estimated maximum annual debt service coverage with respect to the Series 2017 Bonds utilizing the debt service due during the Bond Year ended January 1, 2047.

Projected Tax Receipts ⁽¹⁾	\$1,748,839
Maximum Annual Debt Service Requirement on the Series 2017 Bonds	\$1,432,395
Maximum Annual Debt Service Coverage	<u>1.22X</u>

⁽¹⁾ See the caption "PROPERTY TAX RECEIPTS" herein.

THE COVERAGE NUMBER SET FORTH ABOVE IS BASED ON THE CITY'S 2017 PROPERTY ASSESSMENT OF \$1,489,540,392 CERTIFIED BY THE WASHINGTON COUNTY ASSESSOR ON MARCH 24, 2017 AND THE FIVE-YEAR AVERAGE COLLECTION HISTORY OF THE CITY'S EXISTING LIBRARY TAX. ACTUAL COLLECTIONS OF TAX RECEIPTS WILL DEPEND ON NUMEROUS FACTORS, AND THERE CAN BE NO ASSURANCE THAT FUTURE TAX RECEIPTS AVAILABLE TO PAY DEBT SERVICE ON THE SERIES 2017 BONDS WILL APPROXIMATE SUCH HISTORICAL RESULTS.

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 third 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:

Name	Office	Term Expires
Lioneld Jordan	Mayor	12/31/20
Kit Williams	City Attorney	12/31/18
Sondra Smith	City Clerk	12/31/20
Sarah Bunch	Alderman	12/31/20
Adella Gray	Alderman	12/31/18
Mark Kinion	Alderman	12/31/18
John La Tour	Alderman	12/31/18
Alan Long	Alderman	12/31/20
Sarah Marsh	Alderman	12/31/20
Matthew Petty	Alderman	12/31/20
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:

Year	City of Fayetteville	MSA	State of Arkansas
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:

Year	MSA	State of Arkansas
2003	\$25,387	25,434
2004	27,420	26,846
2005	33,655	27,915
2006	35,914	29,479
2007	38,119	31,180

2008	\$39,934	\$32,434
2009	37,100	31,629
2010	37,629	31,991
2011	42,317	33,961
2012	48,371	36,291
2013	47,363	36,529
2014	51,809	37,782
2015	52,509	39,107

Source: Discover Arkansas, USA.gov

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

	2012	2013	2014	2015	2016
Residential Building Permits	394	379	467	380	553
Commercial Building Permits	18	24	25	27	35
Value of All Building Permits	\$251,041,427	\$157,970,433	\$220,477,214	\$187,189,614	\$275,432,651

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

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
2008	3.8%	5.2%
2009	6.1%	7.4%
2010	6.5%	7.9%
2011	6.2%	8.0%
2012	5.6%	7.4%
2013	4.9%	6.8%
2014	4.0%	5.6%
2015	3.2%	4.3%
2016	2.7%	3.9%

Employment and Industry. The principal campus of the University of Arkansas is located in the City and had total enrollment for the spring semester of 2017 of approximately 25,300. On the Fayetteville campus, the University employs approximately 8,900 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
Washington Regional Med Center	Hospital	2,625
Washington Co. Government	Government	1,410
Veteran's Admin. Medical Ctr.	Hospital	1,390
Fayetteville School District	Education	1,360
City of Fayetteville	Government	766
Tyson Mexican Original	Food Products	683
Wal-Mart #9149	Optical Lab	659
Wal-Mart #359	Retail	520
Wal-Mart #144	Retail	500

Source: City of Fayetteville

THE PUBLIC LIBRARY BOARD OF TRUSTEES

The Fayetteville Public Library Board of Library Trustees (the “Board”) is entrusted with providing leadership in performing the mission of the Fayetteville Public Library (the “Library”), to serve as a liaison between the Library and the City, and to ensure that the Library meets the informational, educational and recreational needs of the community. The Board is responsible for Library funds, maintenance and construction, policies and planning, and the appointment of the Library’s Executive Director.

The Board is to be composed of five to seven members from the public at large appointed by the Mayor and confirmed by the City Council. The present members of the Board are as follows:

Member	Term Expires
Hershey Garner, President	April 1, 2019
Janine Parry, Vice President	April 1, 2018
Maylon Rice, Secretary	April 1, 2020
Bryn Bagwell	April 1, 2022
Suzanne Clark	April 1, 2018
Bret Park	April 1, 2022
Rob Qualls	April 1, 2021

The Executive Director of the Library is David Johnson. Mr. Johnson has served in such position since February 2012.

The City’s current two-story, 88,000 square foot Blair Library is located at 401 West Mountain in the City. Opened in 2004, the Blair Library was voted the 2005 Library of the Year by the *Library Journal*, was awarded a LEED Silver-NC rating by the U.S. Green Building Council and was the first registered building of its kind in the State. Sustainable design elements are incorporated throughout the facility, including a cistern that recycles rainwater, a reflective green roof, shaded windows, LED parking lights and waterless urinals. The Library was chosen from a pool of 515 applicants for one of nine Library Innovation Grants bestowed by the International City/County Managers Association (ICMA) in association with the Bill and Melinda Gates Foundation. The grant was utilized to fund the installation of a solar panel test-bed on the Library roof that to date has produced 87,000 kWh of energy and has offset more than 100,000 pounds of co2 emissions.

The Library is open seven days (64 hours) a week and provides 24-hour online access. The existing facility houses approximately 300,000 volumes, a children’s library, a teen library and a café and provides meeting and study space for over 200 adults, 125 computer workstations, audio visual items, electronic resources and an attached parking deck.

The Library has over 90,000 registered cardholders who borrowed nearly 1.2 million items in 2016. In 2015, there were approximately 619,000 visits to the Library (an average of 185 per hour). In 2016, 72,149 people attended 1,546 programs at the Library, including the Library’s summer reading program, the largest in the State.

An expansion to the existing Library facility will be financed in part with the proceeds of the Series 2017 Bonds. See the captions “THE PROJECT” and “SOURCES AND USES OF FUNDS” herein.

CITY DEBT STRUCTURE

The information set forth below was obtained from the City and is believed to be accurate.

General Obligation Debt. The City currently has no short-term or long-term general obligation debt outstanding.

Tax-Supported Debt. The City currently has outstanding various debt issues which are not general obligations of the City, but which are secured by and payable from specific sales and use taxes and property tax increments.

Revenue Debt. The City currently has outstanding debt issues secured by water and sewer system revenues and parking revenues.

Reference is made to the City’s 2015 Comprehensive Annual Financial Report (which may be accessed as described in Appendix B attached hereto) for a detailed description of the City’s outstanding debt obligations.

PROPERTY TAX RECEIPTS

Computation of Dollar Value of Tax Receipts. The most recent county-wide required reassessment of taxable property was completed in Washington County in 2015. For purposes of Amendment 59 to the Arkansas Constitution, the year in which the reassessment is completed is known as the “Base Year.” For a general discussion of the reassessment requirement and its effect on assessed value and tax rates, see the caption “SUMMARY OF ARKANSAS AD VALOREM TAX PROCEDURES” herein.

The Library Tax pledged to the payment of the Series 2017 Bonds is levied at the rate of one and two-tenths (1.20) mills. For purposes of the coverage computation set forth below, it has been assumed that revenues from the collection of the Library Tax will remain constant for so long as any of the Series 2017 Bonds remain outstanding. In connection with this assumption, it is assumed that Special Tax Collections will equal the decrease in collections of the Library Tax resulting from the Homestead Exemption (as described under the caption “SUMMARY OF ARKANSAS AD VALOREM TAX PROCEDURES – *Homestead Exemption*” herein). However, if the assessed valuation of taxable property in the City increases or decreases for any reason, the dollar amount of the Library Tax actually levied will increase or decrease proportionally.

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

Year	Real Property	Personal Property	Utility Property	Total
2009	\$1,067,947,653	\$191,973,349	\$38,742,232	\$1,298,663,234
2010	1,025,933,870	188,130,198	39,604,447	1,253,668,515
2011	1,046,174,941	199,900,209	42,689,391	1,288,764,541
2012	1,063,617,013	203,289,225	47,200,100	1,314,106,338
2013	1,084,550,127	216,005,532	44,189,124	1,344,744,783
2014	1,115,992,871	226,841,704	48,130,959	1,390,965,534
2015	1,171,158,618	232,141,573	51,742,571	1,455,042,762
2016	1,181,599,558	252,341,147	55,599,687	1,489,540,392

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

No single taxpayer accounted for more than 1.15% of the City’s 2016 total assessed valuation.

Collection of Taxes. Historic collections of an existing 1.0 mill ad valorem tax for the benefit of the Library are shown in the following table:

Year	Tax Levy	Tax Collections	Percentage of Total Collections to Tax Levy
2012	\$1,288,765	\$1,279,913	99.31%
2013	1,314,106	1,294,454	98.50%
2014	1,344,745	1,316,986	97.94%
2015	1,390,966	1,350,331	97.08%
2016	1,455,043	1,402,544	96.39%

Coverage. Based on the five-year average collection rate of 97.84%, collections of the 1.2 mill Library Tax levied on taxable property within the City, as supplemented by the Special Tax Collections, will provide coverage in excess of annual principal and interest requirements for the Series 2017 Bonds as shown below. **The figures set forth below are estimates only, and there can be no assurance that the collection amount and rate will equal the estimated amounts below.**

Estimated Library Tax Revenue at 100% Collection ⁽¹⁾	\$1,787,448
Most recent 5 years Average Total Collection Rate ⁽²⁾	97.84%
Estimated Available Tax Revenue	\$1,748,839
Maximum Annual Debt Service (2047) ⁽³⁾	\$1,432,395
Coverage Ratio	1.22X

- (1) Based on Certified 2017 Washington County property assessment of \$1,489,540,392; 100% Collection less County Treasurer’s Commission (2%) and Homestead Exemption plus Special Tax Collections.
 (2) See the subcaption “– *Collection of Taxes*” above.
 (3) See the caption “DEBT SERVICE REQUIREMENTS” herein.

Projected Mandatory Redemptions. The table under the caption “DEBT SERVICE REQUIREMENTS” herein does not reflect possible mandatory redemptions from surplus Tax Receipts. Surplus Tax Receipts are collections of the Library Tax and the Special Tax Collections in excess of the amounts needed to pay scheduled debt service on the Series 2017 Bonds as due, Trustee’s and Paying Agent fees and expenses, arbitrage rebate, and debt service amounts due on the next succeeding Interest Payment Date. Surplus Tax Receipts will be used to redeem the Series 2017 Bonds on each January 1. Based on a collection rate of 97.84% and an annual tax levy of \$1,787,448, the estimated available tax revenue will be approximately \$1,749,000 per year. If such an estimate is correct and there is no increase or decrease in such collections or the collection rate and scheduled debt service on the Series 2017 Bonds is as shown under the caption “DEBT SERVICE REQUIREMENTS” herein, the Series 2017 Bonds would be redeemed prior to maturity as shown below. **There can be no assurance that these estimates will be realized and that the projected redemptions will occur in the amounts set forth below.**

Year	Principal Due	Projected Redemptions	Total
2018	\$ 560,000	\$ 340,000	\$ 900,000
2019	530,000	355,000	885,000
2020	545,000	370,000	915,000
2021	565,000	375,000	940,000
2022	580,000	390,000	970,000
2023	600,000	400,000	1,000,000
2024	615,000	415,000	1,030,000
2025	635,000	430,000	1,065,000
2026	655,000	440,000	1,095,000
2027	675,000	450,000	1,125,000
2028	700,000	465,000	1,165,000
2029	730,000	480,000	1,210,000
2030	760,000	495,000	1,255,000
2031	790,000	510,000	1,300,000
2032	820,000	530,000	1,350,000
2033	855,000	540,000	1,395,000
2034	890,000	565,000	1,455,000
2035	925,000	580,000	1,505,000
2036	965,000	605,000	1,570,000
2037	1,000,000	625,000	1,625,000
2038	1,040,000	645,000	1,685,000
2039	<u>1,060,000</u>	<u>-</u>	<u>1,060,000</u>
Totals:	<u>\$16,495,000</u>	<u>\$10,005,000</u>	<u>\$26,500,000</u>

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DEFINITIONS OF CERTAIN TERMS

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

“Act” means the Local Government Library Bond Act of 1993, codified as Arkansas Code Annotated (1998 Repl. & 2015 Supp.) Sections 14-142-201 *et seq.*, as from time to time amended.

“Additional Bonds” means Bonds in addition to the Series 2017 Bonds which are issued under the provisions of Section 212 of the Indenture.

“Additional Facilities” means land, buildings, structures, machinery, furniture, fixtures, equipment and all related or necessary tangible property constituting improvements which are permitted to be financed under the provisions of Amendment 30 and the Act.

“Amendment 30” means Amendment 30 to the Constitution of the State of Arkansas, as amended by Amendment 72 to the Constitution of the State of Arkansas.

“Amendment 79” means Amendment 79 to the Constitution of the State of Arkansas.

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

“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 Ordinance No. 903, adopted by the City on September 20, 2016, which authorized the issuance of the Series 2017 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.

“Board” means the Fayetteville Public Library Board of Trustees, or any successor thereto.

“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.

“Bond Year” means the twelve-month period beginning on January 2 of each year and ending on January 1 of the following year.

“Bonds” mean the Series 2017 Bonds and all Additional Bonds, if any, authenticated and delivered under the Indenture.

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

“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.

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

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

“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.

“Debt Service” means, with respect to all or any particular amount of Bonds for any Payment Period, the amount required to pay the sum of the interest on such Bonds payable during the Payment Period and the principal of, and any other amount required to effect any mandatory redemption of, such Bonds, if any, during the Payment Period.

“Election Ordinance” means Ordinance No. 5876, adopted by the City on May 17, 2016, which called a special election on August 9, 2016, on the levy of the Library Tax and the issuance of the Series 2017 Bonds.

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

“Finance Director” means the City’s Chief Financial Officer.

“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 confirmed or established by the Indenture.

“Government Securities” means (i) direct obligations of the United States of America, (ii) obligations on which the full and timely payment of principal and interest is fully and unconditionally guaranteed by the United States of America (including any such securities issued or held in book-entry form on the books of the Department of Treasury of the United States of America), and (iii) evidences of direct ownership or proportionate or individual interest in future interest or principal payments on specified direct obligations of, or obligations on which the full and timely payment of principal and interest is fully and unconditionally guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian in form and substance satisfactory to the Trustee.

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

“Indenture” means the Trust Indenture dated as of July 1, 2017, between the City and the Trustee, pursuant to which the Bonds are issued, and any amendments and supplements thereto.

“Interest Payment Date” means any date on which interest is payable on the Bonds.

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

(a) Cash deposits, certificates of deposits or money market deposits (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations);

(b) Government Securities;

(c) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America: U.S. Export-Import Bank (Eximbank); Rural Economic Community Development Administration; Federal Financing Bank; General Services Administration; U.S. Maritime Administration; U.S. Department of Housing and Urban Development (PHAs); Small Business Administration; Government National Mortgage Association (GNMA); Federal Housing Administration; and Farm Credit System Financial Assistance Corporation.

(d) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

(i) Senior debt obligations rated in the highest long-term rating category by at least two nationally recognized rating agencies issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC); and

(ii) Senior debt obligations of the Federal Home Loan Bank System;

(e) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which either (i) have a rating on their short-term certificates of deposit on the

date of purchase in the highest short-term rating category of at least two nationally recognized rating agencies, (ii) are insured at all times by the Federal Deposit Insurance Corporation, or (iii) are collateralized with direct obligations of the United States of America at 102% valued daily. All such certificates must mature no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(f) Commercial paper which is rated at the time of purchase in the highest short-term rating category of at least two nationally recognized rating agencies and which matures no more than 270 days after the date of purchase;

(g) Investments in (i) money market funds subject to SEC Rule 2a-7 and rated in the highest short-term rating category of at least one of S&P and Moody's and (ii) public sector investment pools operated pursuant to SEC Rule 2a-7 in which the City's deposit shall not exceed 5% of the aggregate pool balance at any time and such pool is rated in one of the two highest short-term rating categories of at least one of S&P and Moody's;

(h) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) Which are rated, based on an irrevocable escrow account or fund (the "Escrow"), in the highest long-term rating category of at least two nationally recognized rating agencies; or

(ii) (I) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or direct obligations of the United States of America, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and

(II) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(i) General obligations of states with a short-term rating in one of the two highest rating categories and a long-term rating in one of the two highest rating categories of at least two nationally recognized rating agencies. In the event such obligations are variable rate obligations, the interest rate on such obligations must be reset not less frequently than annually; and

(j) Any cash sweep account maintained by the Trustee and consisting of investments described in clauses (a) through (i).

"Library Tax" means the one and two-tenths (1.20) mill per dollar City tax levied on the assessed value of all taxable property within the City approved by the voters at the August 9, 2016 special election, together with all penalties and interest payable with respect thereto.

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

"Moody's" means Moody's Investors Service, Inc.

"Original Purchaser" means the first purchaser(s) of a series of Bonds from the City.

"Outstanding" or "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.

“Payment Period” means a period from, but not including, a Principal Payment Date up to, and including, the next succeeding Principal Payment Date.

“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.

“Principal Payment Date” means any date on which principal is payable on the Bonds, whether at maturity, by operation of the mandatory sinking fund, or otherwise.

“Project” means the costs of acquiring, constructing and equipping capital improvements to the Fayetteville Public Library, as more particularly described under the caption “THE PROJECT” herein, and any Additional Facilities that may be acquired, constructed and equipped in the future with the proceeds of Bonds.

“Project Costs” means, to the extent permitted by Amendment 30 and the Act or other applicable laws, with respect to a Project, 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 a Project, including all amounts required by this 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 a Project and placing the same in operation;

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

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

(e) amounts to pay or reimburse the City or any City fund for expenses incident and properly allocable to such planning, designing, purchasing, acquiring, constructing, improving, enlarging, extending, repairing, financing and placing in operation of a Project.

“Project Fund” means the fund by that name created and established in Section 501 of this Indenture.

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

“Record Date” means the close of business on the fifteenth day of the calendar month next preceding each Interest Payment Date on the Bonds or, if such day shall not be a business day, the immediately preceding business day.

“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 and including, without limitation, the specific information required by the Indenture.

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

“S&P” means Standard & Poor’s Financial Services, LLC.

“Securities Depository” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, or its nominee, and its successors and assigns, or any other depository institution appointed by the City to act as depository for the Bonds in connection with the Book-Entry System.

“Series 2017 Bonds” means the City of Fayetteville, Arkansas Library Improvement Bonds, Series 2017, dated as of their date of delivery, issued under and secured by the Indenture in the aggregate principal amount of \$26,500,000

“Special Tax Collections” means the pro rata portion of the one-half of one percent (0.5%) statewide sales and use tax levied pursuant to Amendment 79 which is allocable to the Library Tax.

“State” means the State of Arkansas.

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

“Tax Receipts” means receipts derived by the City from the levy of the Library Tax or the Special Tax Collections.

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

“Trustee” and “Paying Agent” means the trustee and paying agent for the time being, whether original or successor, with the same institution to always occupy both positions, and with the original Trustee and Paying Agent being Simmons Bank, Pine Bluff, Arkansas.

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

SUMMARY OF THE INDENTURE

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

Funds. The Tax Receipts are pledged by the Indenture to the payment of the principal of and interest on the Bonds. The following Funds are established by the Indenture with the Trustee in connection with the Bonds:

- Revenue Fund
- Bond Fund
- Redemption Fund
- Project Fund
- Cost of Issuance Fund
- Rebate Fund

Application of Tax Receipts. The application of Tax Receipts is as follows:

(a) Revenue Fund. All Tax Receipts shall, as and when received, be deposited into the Revenue Fund. Moneys at any time on deposit in the Revenue Fund are to be applied, as needed, on a monthly basis to provide for the payment of Debt Service on the Bonds, to the payment of any arbitrage rebate due under Section 148(f) of the Code, and to the payment of fees and expenses of the Trustee and any Paying Agent, at the times and in the amounts set forth as follows:

(b) Bond Fund. On or before the fifteenth day of each month, commencing August 15, 2017, there shall be transferred from the Revenue Fund (i) into the Bond Fund, an amount equal to 1/6 of the interest on the Bonds due on the next Interest Payment Date, and (ii) into the Bond Fund, an amount equal to 1/12 of the principal on the Bonds (including mandatory sinking fund redemptions) due on the next Principal Payment Date (except for the period from August 15, 2017 through December 15, 2017, such deposits shall be equal to 1/5 of the principal and interest due on the Series 2017 Bonds on January 1, 2018). Moneys in the Bond Fund shall be used solely for the purpose of paying Annual Debt Service on the Bonds, as provided in the Indenture. The Trustee shall withdraw from the Bond Fund, on the date of any principal or interest payment, an amount equal to such payment for the sole purpose of paying the same.

If Tax Receipts 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 in the next succeeding month.

When the moneys held in the Bond 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 Paying Agent, the City shall have no further obligation to make payments into such Funds.

(c) Redemption Fund. There shall be deposited to the credit of the Redemption Fund all moneys necessary to effect an optional redemption of the Bonds and all remaining moneys transferred from the Project Fund

upon completion of a Project. In addition, on each December 15, moneys remaining in the Revenue Fund following the required transfers to the Bond Fund described above and following the payment of Trustee and Paying Agent fees and expenses and any Rebate Amount then due, in excess of Debt Service due on the Bonds on the next July 1, shall be transferred to the Redemption Funds and shall be utilized to redeem Bonds prior to maturity on the following January 1. Moneys in the Redemption Fund shall be transferred to the Bond Fund at such times as may be necessary to effectuate redemptions of the Bonds on the first available redemption date. See the caption “THE SERIES 2017 BONDS – *Redemption*” herein.

(d) Cost of Issuance Fund. A portion of the proceeds of the Series 2017 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 a series of Bonds, any remaining moneys in the Cost of Issuance Fund shall be transferred to the Bond Fund.

(e) Project Fund. A portion of the proceeds of the Series 2017 Bonds shall be deposited to the Project Fund. Amounts in the Project Fund shall be expended and applied for the payment of Project Costs attributable to the Project. Disbursements shall be made from the Project Fund on the basis of Requisitions in the form specified in the Indenture. Within ninety (90) days following completion of a Project or portion thereof being financed by the Bonds, the City shall deliver to the Trustee its Certificate stating that such project or applicable portion thereof is complete, and the Trustee shall transfer the remaining moneys in the Project Fund (save and except moneys needed to satisfy unpaid Project Costs) to the Redemption Fund for application to the retirement of Bonds by redemption or purchase as provided in the Indenture.

(f) Rebate Fund. The Trustee shall establish and maintain, separate and apart from any other Funds established and maintained under the Indenture, the Rebate Fund, which Rebate 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.

Investment of Funds. At the direction of the City or absent such direction, the Trustee shall invest moneys in Funds held by the Trustee in Investment Obligations 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 may be commingled for the purpose of investment.

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

Valuation of Funds. Investments in any Fund shall be evaluated monthly by the Trustee. For the purpose of determining the amount in any Fund, the City and the Trustee shall value all Investment Obligations credited to such Fund at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. The fair market value of certificates of deposit and bankers' acceptances shall be equal to the face amount thereof plus accrued interest thereon. The fair market value of any Investment Obligation that cannot be determined in the manner provided above shall be established pursuant to the prior agreement of the City and the Trustee.

The Trustee shall sell or present for redemption any Investment Obligations 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 the request of the Trustee, 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 Tax Receipts and all other moneys pledged or assigned by the Indenture, or intended so to be, or which the City may become bound to pledge or assign.

Tax Covenants. The City shall not use or permit the use of any Bond proceeds or any other funds of the City, directly or indirectly, in any manner, and will not take or permit to be taken any other action or actions which

would adversely affect the exclusion of interest on any Bond from gross income for federal income tax purposes. No part of the proceeds of the Bonds shall at any time be used, directly or indirectly, to acquire securities or obligations the acquisition of which would cause any of such Bonds to be an “arbitrage bond” as defined in Sections 148(a) and (b) of the Code. The City agrees that so long as any of the Bonds remain Outstanding, it will comply with the provisions of each applicable Tax Regulatory Agreement.

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

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

- (a) Default in the due and punctual payment of any interest on any Bond;
- (b) Default in the due and punctual payment of the principal of or premium, if any, on any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;
- (c) Default in the payment of any other amount required to be paid under the Indenture or the performance or observance of any other of the covenants, agreements or conditions contained in the Indenture, or in the Bonds issued under the Indenture, and continuance thereof for a period of 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 shall, upon the written request of the Holders of not less than 51% in aggregate principal amount of Bonds Outstanding, 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) below 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 above and in this paragraph, and not otherwise, the Holders of not less than 2/3 in aggregate principal amount of the Bonds then Outstanding shall be required, 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 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 for the benefit of the Beneficial Owners of the Series 2017 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, one notice of mandatory redemption from excess sales tax receipts was not posted on the Municipal Securities Rulemaking Board's Electronic Municipal Markets Access (EMMA) system.

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 year 2011 were not posted on a timely basis (posted 7/30/14).

With respect to the City's continuing disclosure obligations for certain bonds secured by water and sewer revenues, audited financial statements and supplemental operating and financial data for fiscal years 2011 and 2012 were not posted on a timely basis for all relevant bond CUSIP numbers. Said audited financial statements and supplemental operating and financial data were timely posted 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 2011 was timely filed but incomplete (remedied 6/27/13) for an issue of the City's tax increment finance bonds.

With respect to all of the aforementioned bond issues and an issue of certain bonds secured by the City's parking revenues, the City's audited financial statements and the required supplemental operating and financial data for fiscal year 2015 were not posted on a timely basis. Unaudited financial statements and supplemental operating and financial data for such fiscal year were timely provided to the various bond trustees but were not posted to the EMMA system until 6/30/16 (two days late). As required by the Rule, upon their availability, the audited financial statements were subsequently posted on 9/30/16.

Labeling inaccuracies exist with respect to several of the City's EMMA filings.

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 to the MSRB within 180 days of the completion of the City's fiscal year. Audited Financial Statements, if available, shall be filed with the MSRB at the same time as the Annual Financial Information. If not then available, unaudited financial statements shall be included with the MSRB filing, and Audited Financial Statements shall be provided to the MSRB within ten (10) business days after availability thereof. The City is required to deliver or cause delivery of such information in Prescribed Form and by such time so that such entity receives 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 to disseminate or cause dissemination in a timely manner, not in excess of ten (10) business days after the occurrence of the event, of Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series 2017 Bonds or defeasance of any Series 2017 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 2017 Bonds pursuant to the Indenture. The City is required to deliver or cause delivery of such Listed Events Disclosure in the same manner as provided for Annual Financial Information and Audited Financial Statements.

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

(f) The Continuing Disclosure Agreement has been executed in order to assist the Participating 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 2017 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 2017 Bond may seek specific performance by court order to cause the City to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture or any other agreement, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

(g) The Undertaking of the City pursuant to the Continuing Disclosure Agreement shall be terminated hereunder when the City shall no longer have any legal liability for any obligation on or relating to the repayment of the Series 2017 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 2017 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 2017 Bonds holding a majority of the aggregate principal amount of the Series 2017 Bonds (excluding Series 2017 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 the Tax Receipts for the latest fiscal year and for the four previous fiscal years, if available.

“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 comprehensive annual financial report 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 2017 Bonds (including persons holding Series 2017 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2017 Bonds for federal income tax purposes.

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

“Dissemination Agent” shall mean Simmons Bank, Pine Bluff, Arkansas, acting in its capacity as a dissemination agent under the Continuing Disclosure Agreement, or any successor dissemination agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

“EMMA” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

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

“Listed Event” means the occurrence of any of the following events with respect to the Series 2017 Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment-related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;

- (10) Release, substitution or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the City;
- (13) 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
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series 2017 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 (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 obligation of the City pursuant to subsections (a) and (d) above.

SUMMARY OF ARKANSAS AD VALOREM TAX PROCEDURES

The following is a summary of the principal provisions of the Arkansas Constitution and statutes relating to the assessment and collection of real and personal property taxes in the State of Arkansas.

Taxable Property. In general, the Arkansas Constitution subjects all real estate property situated in the State to ad valorem taxation except the following: (1) public property used exclusively for public purposes; (2) churches used as such; (3) cemeteries used exclusively as such; (4) school buildings and apparatus; (5) libraries and grounds used exclusively for school purposes; (6) buildings, grounds and materials used exclusively for public charity; and (7) items of household furniture and furnishings, clothing, appliances and other personal property used within the home, if not held for sale, rental or other commercial or professional use.

The Arkansas General Assembly may exempt one or more classes of intangible personal property from taxation, tax intangible property at a lower rate, or provide for taxation of intangible personal property on a basis other than ad valorem. Under statutes presently in force, intangible personal property is not subject to ad valorem taxation. Amendment 89 also authorizes the General Assembly to exempt from taxation the first \$20,000 of value of a homestead of a taxpayer 65 years of age or older.

The Arkansas Constitution provides exemptions from ad valorem taxation, with limitations, for textile mills and new manufacturing establishments.

Tangible personal property in transit through the State is not subject to ad valorem taxation. This exemption has been interpreted to include raw materials shipped to Arkansas for inclusion in tangible personal property manufactured, processed or refined in Arkansas for shipment outside the State.

Assessment. Each Arkansas county has a county assessor, elected for a two-year term of office. Every year between the first Monday in January and July 1, the assessor is required to assess the value of all real and personal property located in the county and has the authority to list, value and assess all tangible personal property subject to ad valorem taxation located in the county. Under certain circumstances, a professional appraiser or appraisers may be employed for the purpose of assessing all or any portion of the property located in the county.

It is the duty of the assessor to determine and to keep current a correct and pertinent description of each tract of real property in the county and to place a value on each such tract, including any improvements thereon. The assessor must then file with the county clerk, by July 31, an assessment report of all tangible personal property within the county and, by the third Monday of August, of all real property within the county. The assessor must also, by the third Monday of August of each year, report to the Arkansas Public Service Commission (the "PSC") the total assessment of real and tangible personal property in the county and the kind, character, number and value of property assessed for taxation in the county.

The owner of every vehicle subject to registration in the State must assess the vehicle with the county tax assessor. County tax assessors and collectors are required to forward information identifying vehicles which have been assessed within the time frame required by law and vehicles for which the owners have paid personal property taxes within the time frame required by law to the Arkansas Department of Finance and Administration.

Any property owner may appeal an assessment made by the assessor to the county equalization board, which has the authority to increase or decrease such assessment. From a decision by the board, a property owner or the assessor may appeal to the county court.

Upon complaint made to the Assessment Coordination Division (the "ACD") of the PSC by the county judge, county assessor or county equalization board, or upon the ACD's own investigation and motion, and a summary hearing, the ACD may, in its discretion, order a reassessment of all or any part of the taxable property in any county, to be made by the county assessor or by a person or persons to be recommended by the county judge and appointed by the ACD.

Property owned by public utilities and common carriers and "used and/or held for use in the operation of the company ..." is assessed for tax purposes by the Tax Division of the PSC. Arkansas Code Annotated § 26-26-1605 provides that the Tax Division "shall assess the property at its true and full market or actual value" and that all utility property of a company, whether located within or without the State of Arkansas, is to be valued as a unit. Annually, the company is required to file a report with the Tax Division. The Tax Division reviews these reports, along with other reports (such as reports to shareholders, the Federal Communications Commission, the Federal Energy Regulatory Commission and the Interstate Commerce Commission), to determine the value of the property. Valuation is currently made on the basis of a formula, as set forth in Arkansas Code Annotated § 26-26-1607, with consideration given to (i) original cost less depreciation, replacement cost less depreciation or reconstruction cost less depreciation; (ii) market value of capital stock and funded debt; and (iii) capitalization of income. As provided in Arkansas Code Annotated § 26-26-1611, once the value of a company's property as a unit is determined, the Tax Division removes the value allocable to out-of-state property and assigns the remainder among Arkansas taxing units on the basis of value within each jurisdiction. The Tax Division certifies the assessment to the county assessor who enters the assessment as certified on the county assessment roll. County officials have no authority to change such assessment.

Reassessment. All other property is assessed by the elected assessor of each Arkansas county (or other official or officials designated by law). This includes both real and tangible personal property. Amendment 79 to the Arkansas Constitution requires each county to appraise all market value real estate normally assessed by the county assessor at its full and fair value at a minimum of once every five (5) years.

Amendment 79 requires the county assessor (or other official or officials designated by law), after each county-wide reappraisal, to compare the assessed value of each parcel of real property reappraised or reassessed to the prior year's assessed value. If the assessed value of the parcel increased, then the assessed value of that parcel must be adjusted as provided below.

(a) Subject to subsection (c) below, if the parcel is not the homestead and principal place of residence ("homestead") of a taxpayer, then any increase in the assessed value in the first year after reappraisal cannot be greater than 10% (or 5% if the parcel is the taxpayer's homestead) of the assessed value for the previous year. For each year thereafter, the assessed value shall increase by an additional 10% (or 5% if the parcel is the taxpayer's homestead) of the assessed value for the year preceding the first assessment resulting from reappraisal; however, the increase cannot exceed the assessed value determined by the reappraisal prior to adjustment under Amendment No. 79. For property owned by public utilities and common carriers, any annual increase in the assessed value cannot exceed more than 10% of the assessed value for the previous year. The provisions of this subsection (a) do not apply to newly discovered real property, new construction or substantial improvements to real property.

(b) If a homestead is purchased or constructed on or after January 1, 2001 by a disabled person or by a person over age 65, then that parcel will be assessed based on the lower of the assessed value as of

the date of purchase (or construction) or a later assessed value. If a person is disabled or is at least 65 years of age and owns a homestead on January 1, 2001, then the homestead will be assessed based on the lower of the assessed value on January 1, 2001 or a later assessed value. When a person becomes disabled or reaches age 65 on or after January 1, 2001, that person's homestead should thereafter be assessed based on the lower of the assessed value on the person's 65th birthday, on the date the person becomes disabled or a later assessed value. This subsection (b) does not apply to substantial improvements to real property. For real property subject to subsection (c) below, the applicable date in this subsection (b), in lieu of January 1, 2001, is January 1 of the year following the completion of the adjustments to assessed value required in subsection (c).

(c) If, however, there has been no county-wide reappraisal and resulting assessed value of property between January 1, 1986 and December 1, 2000, then real property in that county is adjusted differently. In that case, the assessor (or other official or officials designated by law) compares the assessed value of each parcel to the assessed value of the parcel for the previous year. If the assessed value of the parcel increases, then the assessed value of the parcel for the year in which the parcel is reappraised or reassessed is adjusted by adding one-third (1/3) of the increase to the assessed value for the year prior to appraisal or reassessment. An additional one-third (1/3) of the increase is added in each of the next two (2) years. The adjustment contemplated by this subsection (c) does not apply to the property of public utilities or common carriers. No adjustment will be made for newly discovered real property, new construction or substantial improvements to real property.

Washington County completed its most recent reassessment in 2015. Based on current growth rates, Washington County is required to conduct a county-wide reappraisal at least once every five years.

Valuation. Residential property used solely as the principal place of residence by the owner is assessed according to its value as a residence; agricultural land, pasture land and timber land is assessed according to the productivity of its soil; and residential and commercial land that is vacant is assessed according to the value of its typical use. All other taxable property is assessed according to its current market value, and the Arkansas General Assembly may establish the methods and procedures for valuation of such property, as long as they are equal and uniform throughout the State.

Assessed value is an amount equal to 20 percent of market value, and the levied millage is applied against the assessed value to determine the tax owed.

Millage Rollback. Amendment 59 to the Arkansas Constitution, as implemented by Act 848 of 1981, as amended (the "Amendment 59 Implementation Act"), directed the Arkansas General Assembly to limit the effects of any comprehensive county-wide reassessment by providing for adjustment or rollback of millage rates in certain circumstances.

The Amendment 59 Implementation Act provides that the computation of millage rollbacks is to be made separately for each tax source or millage levy (in the case of school districts this requires separate computations for operation and maintenance millage and debt service millage), with the new tax rate for each millage levy to be rounded up to the nearest 1/10 mill. In the case of debt service millage, the tax rate as so adjusted will continue as the continuing annual tax rate until retirement of the bonds to which the tax is pledged. The adjusted rate for operation and maintenance millage is subject to change at each annual school election in accordance with law.

The term "base year" means the year in which a county-wide reassessment is completed and adjusted millage rates first extended for collection in the following year. When a county-wide reappraisal of property for ad valorem tax purposes is conducted over a period of two or more years, the taxes are not assessed on the basis of the reappraised value of the property until all tax property in the county has been reappraised, and the adjustment or rollback of millage is applicable in the year of completion.

Rollback procedures differ for (a) real property, (b) personal property, and (c) all property of public utilities and regulated carriers.

Real Property. If county-wide reassessment results in an increase in value of taxable property in any taxing unit (county, municipality, school district or community college district) in the base year of ten percent (10%) or more over the previous year, then a millage rollback occurs. The millage rollback is designed to assure that taxpayers, as a group, in each taxing unit will pay taxes no greater than ten percent (10%) above the taxes paid during the previous year to such taxing unit.

Millage rates applicable to real property are rolled back only one time following any comprehensive, county-wide reassessment.

Personal Property. A separate millage rate is applied to reassessed personal property in order to produce revenues equal to the revenues received from personal property taxes in the base year. As the assessed value of taxable personal property increases, the separate personal property millage rate is reduced annually in order to maintain revenues equal to those for the base year. The tax rate for personal property will increase (at least to the level in effect before the rollback), however, in the event the personal property assessment declines so that a tax rate increase would be necessary to produce revenues equivalent to the base year revenues from personal property. When the revenues from personal property taxes computed on the basis of the current (real property) millage rates equal or exceed revenues from personal property taxes for the base year, the current millage rates applicable to real property will also apply to taxable personal property.

The Arkansas Supreme Court has held that a voted increase in the tax rate is not applicable to personal property prior to equalization.

Property of Public Utility and Regulated Carriers. During the first five years in which taxes are levied on taxable real and personal property or public utilities and regulated carriers as reassessed, the taxes paid equal the greater of (a) the amount of taxes paid on such property in the base year (less adjustments for property disposed of or reductions in the assessed valuation of such property) and (b) the amount of taxes due on such property at millage rates levied in the current year. If in any of the sixth through tenth years after the base year the base year taxes of a public utility or regulated carrier exceed the current year taxes, then the amount of the taxes are decreased in each year by twenty percent (20%) of the difference until, in the tenth year and thereafter, the taxpayer pays taxes calculated with current millage rates only. If in any of the first ten years after the base year the current year taxes equal or exceed the base year taxes, the public utility or regulated carrier thereafter pays the current year taxes.

In implementation of Amendment 59, the Amendment 59 Implementation Act provides that if the provisions in the Amendment and the Act relating to the taxing of public utilities and regulated carriers, or any class thereof, are held to be contrary to the Constitution or statutes of the United States or of the State of Arkansas, all utilities and all classes of carriers shall receive the same treatment provided or required under the court order for a particular type of carrier or utility "if deemed necessary to promote equity between similar utilities or class of carriers." Certain regulated carriers (railroads) have successfully challenged Amendment 59, as applied to them, as contrary to federal statutes. The effect of this challenge by the railroads on utilities and on other classes of carriers cannot be predicted at this time.

Bond Protection. As directed by Amendment 59, the Amendment 59 Implementation Act provides that any millage rates rolled back or adjusted pursuant to the Amendment 59 Implementation Act shall be rolled back or adjusted only to a level which will produce at least a level of income sufficient to meet the current requirements of all principal, interest, paying agent fees, reserves and other requirements of the bond indenture.

Amendment 78. Amendment 78 to the Arkansas Constitution, approved at the 2000 General Election and effective January 1, 2001, authorized cities and counties to form redevelopment districts for the purpose of financing redevelopment projects. The ad valorem taxes levied by any taxing unit (including municipalities) on property in a redevelopment district may be divided so that all or part of the ad valorem taxes levied against any increase in the assessed value of property in the area after approval of the redevelopment plan for the district shall be used to pay any indebtedness incurred for the redevelopment project. Debt service millage approved by voters prior to January 1, 2001, is excluded from this provision. The creation of redevelopment districts which encompass property in the City may have an adverse effect on the amount of future increases in property taxes collected by the City.

Amendment 79. Amendment 79 to the Arkansas Constitution, approved at the 2000 General Election and effective January 1, 2001, generally limits increases in the assessed value of taxable real property and requires that such increases be effected over time. The extent of the limitation depends upon whether the property is a taxpayer's homestead used as the taxpayer's principal place of residence.

General Adjustments. With respect to the first assessment following a county-wide reappraisal, Amendment 79 limits any increase in the assessed value of the non-homestead real property to ten percent (10%) of the previous year's assessed value. For each year thereafter, the assessed value of such property will be increased by an additional ten percent (10%) of the assessed value for the year preceding the first assessment following reappraisal, but shall not exceed the assessed value determined by reappraisal. If the property is a taxpayer's homestead, any increase in the assessed value following reappraisal is limited to five percent (5%) of the previous year's assessed value. For each year thereafter, the assessed value of such property will increase by an additional five percent (5%) of the assessed value for the year prior to the first assessment following reappraisal (not to exceed the value determined by reappraisal).

The adjustment described above will not apply to newly discovered real property, new construction or substantial improvements to real property.

Property of Public Utilities and Regulated Carriers. Under Amendment 79, any annual increase in the value of utility and carrier real property is limited to ten percent (10%) of the assessed value for the previous year.

Special Provisions for Those 65 or Over and Disabled Persons. Amendment 79 allows persons who reach 65 years of age or who become disabled on or after January 1, 2001 to pay ad valorem taxes based on lower assessed values of homestead property (but not substantial improvements to such property) after reaching 65 or after becoming disabled.

Homestead Exemption. Amendment 79 provides for an annual state credit against ad valorem property tax on a homestead in an amount not less than \$350 (but not below zero). The General Assembly implemented this homestead exemption with the passage of Act 1544 of 2001, which provides that, effective with the assessment year 2000 and thereafter, the amount of real property taxes assessed on the homestead of each property owner is reduced by up to \$350. Property owners have until October 31 in each year to certify that their property is subject to this homestead exemption, notwithstanding that taxes are due and payable by October 15.

Property Tax Relief Trust Fund. Following the passage of Amendment 79, the Arkansas General Assembly increased the state sales and use tax from 4.625% to 5.125%. The proceeds of this one half of one percent (0.5%) increase are paid into the State's Property Tax Relief Trust Fund ("PTRTF"). Act 1544 of 2001, implementing the homestead exemption, also provided for annual distributions to each county treasurer from the PTRTF in accordance with the county's proportionate share of the total statewide property tax reduction for that calendar year resulting from the \$350 homestead exemption. County treasurers, in turn, are required to distribute these payments to the taxing entities in the county in proportion to each taxing entity's millage rate.

In addition to the proportionate distribution described in the preceding paragraph, for each of the State's fiscal years 2013 and 2014, an additional \$2 million was appropriated to be payable from the PTRTF to cities, provided such amounts were remaining in the PTRTF after the proportional distributions made pursuant to Act 1544 of 2001. Accordingly, the City is not able to predict the amount, if any, it will receive in any year from the PTRTF.

According to the State Treasurer's Office, the amounts paid out of PTRTF in 2008 through 2016, are as follows:

<u>Fiscal Year</u>	<u>Regular Property Tax Relief</u>	<u>Assessor's Property Tax Relief</u>	<u>Municipal Property Tax Relief</u>	<u>County Property Tax Relief</u>	<u>Total</u>	<u>Fayetteville Portion</u>
2008	\$ 219,554,981.45	\$1,020,491.24	\$ 4,000,000.00	\$ 4,000,000.00	\$ 228,575,472.69	\$ 153,489.62
2009	215,266,557.77	1,032,834.60	4,000,000.00	4,000,000.00	224,299,392.37	152,507.91
2010	202,574,865.12	827,839.83	4,000,000.00	4,000,000.00	211,402,704.95	152,507.91
2011	212,905,106.14	659,779.38	4,000,000.00	4,000,000.00	221,564,885.52	152,507.91
2012	218,017,102.97	485,669.36	4,000,000.00	4,000,000.00	226,502,772.33	156,607.00
2013	220,827,337.65	371,937.95	4,000,000.00	4,000,000.00	229,199,275.60	156,590.51
2014	231,595,367.20	335,607.89	2,000,000.00	2,000,000.00	235,930,975.09	78,295.25
2015	238,220,926.36	369,806.86	2,000,000.00	2,000,000.00	242,590,733.22	78,179.99
2016	<u>247,948,710.39</u>	<u>475,159.46</u>	<u>2,000,000.00</u>	<u>2,000,000.00</u>	<u>252,423,869.85</u>	<u>78,036.18</u>
Total	\$2,006,910,955.05	\$5,579,126.57	\$30,000,000.00	\$30,000,000.00	\$2,072,490,081.62	\$1,158,722.28

Bond Protection. Amendment 79 requires the Arkansas General Assembly to provide procedures for adjusting ad valorem tax rates in such a way that will not interfere with the payment of bonded indebtedness secured by such taxes or millage. Millage rates for real, personal and public utility and regulated carrier property shall be equal unless adjustment of personal property rates is necessary to pay bonded indebtedness in accordance with an indenture agreement.

Other. Amendment 79 directs the Arkansas General Assembly to prescribe the method for reassessing real property and to establish the frequency of reassessment, which should occur at least once every five years. Millage rollback will not be affected except to the extent that the adjustments under Amendment 79 are made prior to rollback.

Collection. The sheriff of each county serves as collector of property taxes (except as to certain counties, for which the legislature has separated the offices of the sheriff and tax collector). The City is located in Washington County, which has a separate tax collector. All taxes levied are collected in the calendar year immediately following the year in which levied, except that personal property taxes levied on motor vehicles owned by individuals are collected in the calendar year in which levied.

Property taxes are payable at any time from March 1 through October 15 of each year and are payable in installments at the option of the taxpayer.

Delinquent Taxes. All taxes unpaid after October 15 of any year are considered to be delinquent, and delinquent taxpayers are subject to a penalty of ten percent (10%) of the taxes due. It is the duty of the tax collector to diligently collect all delinquent personal property taxes, and in the performance of these duties the collector is empowered to distrain and sell at public auction personal property for the purpose of enforcing collection of personal property taxes and to garnish the wages or other money owed to the delinquent taxpayer.

If real property taxes remain unpaid for two years following the date the taxes were due, the land is certified to the Commissioner of State Lands for collection or sale. In the absence of any bid in an amount at least equal to the assessed value of the land, the Commissioner may negotiate a sale. Real property may be redeemed by the taxpayer at a price equal to the taxes due, ten percent (10%) interest for each year of delinquency, a ten percent (10%) penalty for each year of delinquency, and costs. The right of redemption must be exercised within 30 days after real property is sold.

Remittance of Tax Collections. The county tax collector is required by law to pay over to the county treasurer, by the fifth day of each month, all funds in the collector's hands belonging to the county or to any municipality or school district located in the county. Upon a certificate of the county clerk, which shall be issued on or before the thirtieth day of each month, the county treasurer is required to transfer to the various taxing bodies, ninety percent (90%) of all funds received by the county treasurer from the county collector. Upon final settlement, adjustments are made and the balance is distributed upon order of the county court approving the final settlement. Because of administrative difficulties, it is generally assumed that no substantial portion of annual tax collections is available to the taxing bodies until December of each year.

Miscellaneous. If the assessed value of all classes of taxable property located in the City remains at the same level, without increase or decrease, and the total tax rates applicable to all taxable property in the City remain constant, the annual revenues derived from taxable property will be the same in each year. This would be true of annual revenues available for debt service on the Series 2017 Bonds, as well as other annual revenues of the City (subject in the case of such other revenues to adjustments in the tax rate).

In recent years, initiatives which would reduce or abolish property taxes collected pursuant to the Arkansas Constitution have been approved for submission to the voters of Arkansas; however, to date, no initiatives have been approved for submission to the voters at the next general election.

UNDERWRITING

Under a bond purchase agreement entered into by and between the City and Stephens Inc., Fayetteville, Arkansas (the "Underwriter"), the Series 2017 Bonds are being purchased at a purchase price of \$27,003,647.40 (representing the stated principal amount of the Series 2017 Bonds plus a net reoffering premium of \$768,647.40 and less an underwriting discount of \$265,000.00). The bond purchase agreement provides that the Underwriter will purchase all of the Series 2017 Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2017 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 2017 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 2017 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 2017 Bonds to the public, and may offer the Series 2017 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 2017 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 2017 Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2017 Bonds. Failure to comply with such requirements could cause interest on the Series 2017 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2017 Bonds. The City has covenanted to comply with such requirements.

Notwithstanding Bond Counsel's opinion that interest on the Series 2017 Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

Original Issue Discount. The Series 2017 Bonds maturing January 1, 2042 (the "Discount Bonds") are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

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

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

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

Original Issue Premium. The Series 2017 Bonds maturing January 1, 2018 through January 1, 2037, inclusive, and January 1, 2047 (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 2017 Bonds.

The accrual or receipt of interest on the Series 2017 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2017 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 2017 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 2017 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 2017 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 2017 Bonds from gross income for federal income tax 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 2017 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 2017 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 2017 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular lawsuit will be resolved, or whether the Series 2017 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2017 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 2017 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

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned a rating of "A" (stable outlook) to the Series 2017 Bonds. Such rating reflects only the view of S&P at the time such rating was given, and the City makes no representation as to the appropriateness of such rating. An explanation as to the significance of the above rating may be obtained only from S&P.

The City has furnished S&P certain information and materials relating to the Series 2017 Bonds and the City, some of which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it may not be lowered, raised or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Neither the City nor the Underwriters have undertaken any responsibility to oppose any such revision or withdrawal. Any downward change in or withdrawal of a rating may have an adverse effect on the market price and marketability of the Series 2017 Bonds. No application has been made to any Rating Agency other than S&P for a rating on the Series 2017 Bonds.

LEGAL MATTERS

Legal Opinions. Legal matters incident to the authorization and issuance of the Series 2017 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 2017 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 2017 Bonds or questioning or affecting the legality of the Series 2017 Bonds or the proceedings and authority under

which the Series 2017 Bonds are to be issued, or questioning the right of the City to issue the Series 2017 Bonds or to levy the Library Tax or pledge the Tax Receipts.

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 2017 Bonds.

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APPENDIX A

Form of Bond Counsel Opinion

Kutak Rock LLP, Bond Counsel, will render an opinion with respect to the Series 2017 Bonds, dated the date of issuance and delivery thereof, in substantially the following form:

July __, 2017

City of Fayetteville, Arkansas
Fayetteville, Arkansas

Simmons Bank, as Trustee
Pine Bluff, Arkansas

Stephens Inc.
Fayetteville, Arkansas

\$26,500,000
City of Fayetteville, Arkansas
Library Improvement Bonds
Series 2017

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 \$26,500,000 Library Improvement Bonds, Series 2017 (the “Bonds”).

The Bonds are being issued pursuant to the provisions of the Constitution and laws of the State of Arkansas, including, particularly, Amendment 30 and Arkansas Code Annotated (1998 Repl. & Supp. 2015) §§14-142-201 *et seq.* (as from time to time amended, the “Act”), pursuant to Ordinance No. #5903 of the City, duly adopted and approved on September 20, 2016 (the “Authorizing Ordinance”), and pursuant to a Trust Indenture dated as of July 1, 2017 (the “Indenture”), by and between the City and Simmons Bank, 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, 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 Authorizing Ordinance and Ordinance No. 5876 of the City, duly adopted and approved on May 17, 2016 (the “Election 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 30 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 constitutes a valid and binding obligation of the City enforceable upon the City in accordance with its terms.

4. The Bonds have been validly authorized, executed, issued and delivered by the City and are valid and binding limited obligations of the City payable from and secured by a valid lien on and pledge of the Trust Estate (as defined in the Indenture), including receipts of the Library Tax and the Special Tax Collections (each as defined in the Indenture), in the manner and to the extent described in the Indenture. 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 Library Tax has been validly levied in accordance with the Constitution and laws of the State of Arkansas, including Amendment 30 and the Act, and may be validly pledged to secure the Bonds.

6. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. The opinions set forth in the preceding sentence 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, that must be met subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of 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

Information Regarding Access to the City of Fayetteville 2015 Comprehensive Annual Financial Report

The City's 2015 CAFR can be accessed at:

www.fayetteville-ar.gov/ArchiveCenter/ViewFile/Item/1663