

In the opinion of Rose Law Firm, a Professional Association, Bond Counsel, under existing law and assuming compliance with certain covenants, interest on the Series 2015 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Issuer has designated the Series 2015 Bonds as “qualified tax-exempt obligations” within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. Bond Counsel is of the opinion that, under existing law, interest on the Series 2015 Bonds is exempt from State of Arkansas income taxes and the Series 2015 Bonds are exempt from property and inheritance taxes in the State of Arkansas. See the caption “Legal Matters—Tax Exemption” herein.



**\$3,770,000 City of Texarkana, Arkansas
Franchise Fee Secured Refunding Revenue Bonds, Series
2015**

Dated: August 1, 2015

Due: April 1, as shown below

The Series 2015 Bonds do not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation. The Series 2015 Bonds are not general obligations of the Issuer, but are special obligations payable solely from the revenues received by the Issuer from all franchise fees charged to public utilities for the privilege of using the Issuer's streets and rights-of-way and from funds and moneys pledged to the payment of the Series 2015 Bonds under a Trust Indenture, dated as of August 1, 2015, by and between the Issuer and Bank of the Ozarks, as Trustee. No owner of the Series 2015 Bonds shall ever have the right to compel any exercise of taxing power by the Issuer to pay the Series 2015 Bonds.

The Series 2015 Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, to which principal and interest payments on the Series 2015 Bonds will be made so long as Cede & Co. is the registered owner of the Series 2015 Bonds. Individual purchases of the Series 2015 Bonds will be made only in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Individual purchasers of Series 2015 Bonds (“Beneficial Owners”) will not receive physical delivery of bond certificates. See Appendix D—Book-entry Only System.

Interest on the Series 2015 Bonds is payable April 1 and October 1 of each year, commencing April 1, 2016. All such interest payment shall be payable to the person in whose name such Series 2015 Bonds are registered on the bond registration books maintained by the Trustee as of the close of business on the fifteenth day of the calendar month immediately preceding the interest payment date on which such interest is due. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants or Indirect Participants, as more fully described herein. Each Series 2015 Bond bears interest from the later of August 1, 2015 and the interest payment date next preceding its date of authentication or, if authenticated on an interest payment date, from such date.

See the inside front cover for maturity schedules.

The Bonds are subject to optional redemption prior to maturity as described herein.

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

Stephens Inc.

The date of this Official Statement is July 20, 2015.

Maturity Schedule
\$3,770,000 City of Texarkana, Arkansas
Franchise Fee Secured Refunding Revenue Bonds, Series 2015

Term Bonds

Due April 1	Principal Amount	Interest Rate	Price or Yield	CUSIP
2018	\$290,000	1.125%	Par	881729 DY0
2021	\$350,000	1.875%	Par	881729 DZ7
2025	\$505,000	2.750%	Par	881729 EA1
2030	\$730,000	3.500%	Par	881729 EB9
2035	\$860,000	3.625%	3.8%	881729 EC7
2040	\$1,035,000	3.875%	4.0%	881729 ED5

(Accrued interest to be added.)

No dealer, broker, salesperson, or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations with respect to the Series 2015 Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer or the Underwriter. This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Series 2015 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or in the opinions or information set forth herein. Certain information contained in this Official Statement has been obtained from the Issuer and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter.

IN CONNECTION WITH THIS OFFERING THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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THE SERIES 2015 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2015 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY, OR DETERMINED THE ADEQUACY, OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.



City of Texarkana, Arkansas

Mayor

Ruth Penney Bell

Board of Directors

Allan Wren
Laney J. Harris
Tim Johnson
Travis N. Odom
Barbara S. Miner
Sue Johnson

Acting City Manager

Kenny Haskin

Finance Director

TyRhonda Henderson

City Attorney

George Matteson

City Clerk

Heather Soyars

CONSULTANTS AND ADVISORS TO THE ISSUER

Bond Counsel

Rose Law Firm, a Professional Association

Underwriter

Stephens Inc.

\$3,770,000
City of Texarkana, Arkansas
Franchise Fee Secured Refunding Revenue Bonds, Series 2015

This Official Statement of City of Texarkana, Arkansas (the “Issuer”), including the cover hereof and the Appendices, is provided for the purpose of setting forth information concerning the Issuer in connection with the issuance and sale by the Issuer of its \$3,770,000 Franchise Fee Secured Refunding Revenue Bonds, Series 2015 (the “Series 2015 Bonds”). Definitions of certain terms used in the Official Statement are set forth in Appendix A—Definitions.

Introduction

This Introduction is only a brief description of the Official Statement and is qualified by reference to the entire Official Statement, including the Appendices hereto. A full review of the entire Official Statement should be made, as well as of the documents summarized or described herein.

The Issuer

The Issuer is the City of Texarkana, Arkansas, a political subdivision of the State of Arkansas. See the caption “The Issuer” herein.

Security and Sources of Payment

The Series 2015 Bonds are special obligations of the Issuer, payable solely from the revenues received by the Issuer from the franchise fees charged for the privilege of using the Issuer’s streets and rights-of-way (i) to public utilities pursuant to the authority contained in Ark. Code Ann. §§ 14-200-101 to -112, (ii) as voluntary payments in lieu of taxes from the Issuer’s water utility pursuant to the authority contained in Ark. Code Ann. § 14-234-114, and (iii) to a cable service provider pursuant to the Issuer’s cable service franchise ordinance and agreement for a term ending May 21, 2022, and from funds and moneys pledged to the payment of the Series 2015 Bonds under the Indenture, identified below. No owner of the Series 2015 Bonds shall ever have the right to compel any exercise of taxing power by the Issuer to pay the Series 2015 Bonds. See the caption “The Series 2015 Bonds—Security” herein.

The Series 2015 Bonds are being issued under and secured by a Trust Indenture, dated as of August 1, 2015 (the “Indenture”), between the Issuer and Bank of the Ozarks, as Trustee (the “Trustee”).

The Series 2015 Bonds are issued on a parity of security with the \$10,300,000 original principal amount Franchise Fee Secured Refunding Revenue Bonds, Series 2012 (the “Series 2012 Bonds”). Under certain circumstances, one or more series of additional bonds may be issued on a parity of security with the Series 2012 Bonds and the Series 2015 Bonds. See the caption “The Series 2015 Bonds—Additional Bonds” herein.

Purpose

The Series 2015 Bonds are issued to currently refund the Issuer’s outstanding Franchise Fee Secured Capital Improvement Revenue Bonds, Series 2010 (the “Prior Bonds”), fund a debt service reserve, and pay the costs of issuance of the Series 2015 Bonds.

Features of the Series 2015 Bonds

Mandatory Sinking Fund Redemption. The Trustee shall redeem Series 2015 Bonds maturing on April 1, 2018, 2021, 2025, 2030, 2035 and 2040, and on April 1 in the years and in the principal amounts and at a price of 100 percent of the principal amount of the Series 2015 Bonds to be redeemed plus interest accrued to the redemption date, as follows:

Bonds Maturing April 1, 2018		Bonds Maturing April 1, 2021	
Year	Amount	Year	Amount
2016	\$65,000	2019	\$115,000
2017	110,000	2020	115,000
2018*	115,000	2021*	120,000

Bonds Maturing April 1, 2025		Bonds Maturing April 1, 2030	
Year	Amount	Year	Amount
2022	\$125,000	2026	\$135,000
2023	125,000	2027	140,000
2024	125,000	2028	150,000
2025*	130,000	2029	150,000
		2030*	155,000

Bonds Maturing April 1, 2035		Bonds Maturing April 1, 2040	
Year	Amount	Year	Amount
2031	\$160,000	2036	\$190,000
2032	165,000	2037	200,000
2033	175,000	2038	205,000
2034	175,000	2039	215,000
2035*	185,000	2040*	225,000

* Final maturity.

On or before the 30th day prior to each such sinking fund redemption date, the Trustee shall proceed to call the principal amount of the Series 2015 Bonds scheduled for sinking fund redemption on the next April 1, and give notice of such call. At its option, the Issuer may (a) deliver to the Trustee for cancellation Series 2015 Bonds subject to sinking fund redemption in an aggregate principal amount desired or (b) receive credit in respect of its sinking fund redemption obligation for any Series 2015 Bonds subject to sinking fund redemption, which prior to said date have been canceled (otherwise than through the operation of the sinking fund redemption schedule) by the Trustee and not theretofore applied as a credit against such sinking fund redemption obligation. Each Series 2015 Bond so delivered or previously redeemed shall be credited by the Trustee at the principal amount thereof against the obligation of the Issuer on such sinking fund redemption date, and the principal amount of Series 2015 Bonds to be redeemed by operation of such sinking fund redemption schedule on such date shall be accordingly reduced; and any excess over the principal amount of Series 2015 Bonds to be redeemed by operation of the sinking fund redemption schedule on any sinking fund redemption date shall be credited against future sinking fund redemption payments in such manner as will ensure that each future sinking fund redemption payment shall be reduced as specified by the Issuer or, in the absence of such specification, in inverse order of scheduled sinking fund redemption by an amount proportional to the amount originally established for such future sinking fund redemption date, rounded to the nearest \$5,000 amount so that the total amount so credited equals the principal amount of Series 2015 Bonds so delivered, and the principal amount of Series 2015 Bonds required to be redeemed by operation of the sinking fund on subsequent sinking fund redemption dates shall be correspondingly reduced.

Optional Redemption. The Series 2015 Bonds maturing on or after April 1, 2022 are subject to redemption by the Issuer on or after April 1, 2021 in whole or in part at any time from any moneys that may be available for such purpose, upon payment of a redemption price equal to 100 percent of the principal amount of Series 2015 Bonds to be redeemed plus interest accrued to the redemption date.

Selection of Bonds for Redemption. If less than all of the Series 2015 Bonds are called for redemption, they shall be redeemed from maturities in such order as determined by the Issuer. DTC shall select the Series 2015 Bonds for redemption within particular maturities according to its stated procedures. See Appendix D—Book-entry Only System.

Notice of Redemption. When Series 2015 Bonds (or portions thereof) are to be redeemed, the Issuer shall give notice of the redemption of the Series 2015 Bonds to the Trustee no later than 45 days prior to the redemption date or such shorter time as may be acceptable to the Trustee. In the case of an optional redemption, the notice may state (a) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (b) that the Issuer retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a “Conditional Redemption”), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded. The Trustee shall send notice of any redemption, identifying the Series 2015 Bonds to be redeemed, the redemption date, and the method and place of payment, by first class mail to each holder of a Series 2015 Bond called for redemption to the holder’s address listed on the Bond Register. Such notice shall be sent by the Trustee by first class mail between 30 and 60 days prior to the scheduled redemption date. If notice is given as described in this paragraph, failure of any Bondholder to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the Series 2015 Bonds.

Any Conditional Redemption may be rescinded in whole or in part at any time prior to the redemption date if the Issuer instructs the Trustee to rescind the redemption notice. The Trustee shall give prompt notice of such rescission to the affected Bondholders. Any Series 2015 Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute any Event of Default. Further, in the case of a Conditional Redemption, the failure of the Issuer to make funds available in part or in whole on or before the redemption date shall not constitute an Event of Default, and the Trustee shall give immediate notice to the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain Outstanding.

Effect of Redemption. On or before the date fixed for redemption, subject to the rights of the Issuer concerning a Conditional Redemption, moneys shall be deposited with the Trustee to pay the principal of and interest accrued to the redemption date on the Series 2015 Bonds called for redemption. Upon the deposit of such moneys, the Series 2015 Bonds shall cease to bear interest on the redemption date and shall no longer be entitled to the benefits of the Indenture (other than for payment and transfer and exchange) and shall no longer be considered Outstanding.

Denominations. The Series 2015 Bonds shall be issued in Authorized Denominations.

Registration and Exchange. See Appendix D—Book-entry Only System.

Manner of Making Payments. See Appendix D—Book-entry Only System.

Notices to Bondholders. See the caption “The Series 2015 Bonds—Notice of Redemption” herein and Appendix D—Book-entry Only System.

Tax Status of Interest

In the opinion of Bond Counsel, under existing law and assuming compliance with certain covenants described herein, interest on the Series 2015 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations, interest on the Series 2015 Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax. Bond Counsel is of the opinion that, under existing law, interest on the Series 2015 Bonds is exempt from State of Arkansas income taxes and the Series 2015 Bonds are exempt from property and inheritance taxes in the State of Arkansas. See the caption “Legal Matters—Tax Exemption” herein.

Professionals Involved in the Offering

Trustee. Bank of the Ozarks serves as Trustee and Paying Agent for the Series 2015 Bonds.

Legal Counsel. Rose Law Firm, a Professional Association, Little Rock, Arkansas, serves as Bond Counsel to the Issuer and George Matteson, Texarkana, Arkansas, is City Attorney for the Issuer.

Underwriter. Stephens Inc. Little Rock, Arkansas, is the Underwriter of the Series 2015 Bonds.

Auditor. BKD, LLP, Little Rock, Arkansas, audited the general purpose financial statements of the Issuer as of December 31, 2013, and for the year then ended. A copy of the audit may be obtained on the internet at www.legaudit.state.ar.us or by contacting the Division of Legislative Audit, 172 State Capitol, Little Rock, AR 72201-1099.

Terms of the Offering

Authority. The Series 2015 Bonds are being issued under and pursuant to the Constitution and laws of the State of Arkansas, in particular the provisions of the Local Government Capital Improvement Revenue Bond Act of 1985, Ark. Code Ann. §§ 14-164-401 to -418 (the “Act”).

Conditions. The Series 2015 Bonds are offered when, as, and if issued by the Issuer and accepted by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Bond Counsel.

Delivery. It is expected that the Series 2015 Bonds in definitive form will be available for delivery in Little Rock, Arkansas on or about August 26, 2015, against payment therefor.

Book Entry. The Series 2015 Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, to which principal and interest payments on the Series 2015 Bonds will be made so long as Cede & Co. is the registered owner of the Series 2015 Bonds. Individual purchases of the Series 2015 Bonds will be made only in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Individual purchasers of Series 2015 Bonds (“Beneficial Owners”) will not receive physical delivery of bond certificates. See Appendix D—Book-entry Only System.

Continuing Disclosure

The Issuer has entered into an undertaking for the benefit of the Bondholders to provide certain financial information and operating data annually and notice of certain events for the previous Fiscal Year pursuant to the requirements of §(b)(5)(i) of Securities and Exchange Commission Rule 15c2-12. While the Issuer has not made any determination as to the materiality, the following summarizes a non-exhaustive discussion of the Issuer’s compliance with its continuing disclosure obligations over the past five years.

During the past five years, the Issuer has been obligated to comply with continuing disclosure agreements involving four bond issues. The agreements required that the Issuer file Annual Reports with the trustees, as the dissemination agents. For the Issuer’s general obligation and franchise bond issues, the Issuer filed its required 2010, 2011, 2012, 2013, and 2014 Annual Reports, but did not always do so in a timely manner and the filed Annual Reports did not always provide all required information. For the Issuer’s water and sewer revenue bond issue that is administered by Texarkana Water Utilities (TWU), the Issuer filed its required 2010, 2011, 2012, 2013, and 2014 Annual Reports, but did not always do so in a timely manner. In addition, the Issuer did not timely file its audited financials for 2010, 2011, 2012, and 2013. The 2014 audited financials of the Issuer have not yet been completed. All untimely filings were late by less than 90 days.

TWU has retained a continuing disclosure service on behalf of the Issuer to ensure that the Issuer is in compliance with its obligation and the Issuer has implemented procedures to monitor and comply with its continuing disclosure obligations.

The Issuer will enter into a continuing disclosure agreement with the Trustee in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

See Appendix C—Form of Continuing Disclosure Agreement.

General

Information Subject to Change. This Official Statement speaks only as of its date and the information contained herein is subject to change.

Documentation Available. All references herein to the Indenture are qualified in their entirety by reference to such document, copies of which are available from the Underwriter during the offering period and from the Trustee thereafter, and all references to the Series 2015 Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto included in the Indenture.

Further Information

For further information regarding the Series 2015 Bonds during the underwriting period communicate with Stephens Inc., 111 Center Street, Suite 2300, Little Rock, Arkansas 72201, Attention: Public Finance Department; thereafter, communicate with Bank of the Ozarks, Little Rock, Arkansas, Attention: Sheila Mayden, Telephone: (501) 978-2218.

For further information regarding the Issuer, communicate with the City of Texarkana, Arkansas, City Hall, East 3rd & Walnut Streets, Texarkana, Arkansas 75504-2711, Attention: Dr. Kenny Haskin, Acting City Manager, Telephone: (870) 779-4952.

The Series 2015 Bonds

General

The Series 2015 Bonds shall be dated August 1, 2015, shall be numbered from R-1 upward, and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) payable on April 1, 2016, and thereafter semiannually on each Interest Payment Date at the rates per annum and shall mature on April 1, in the years and amounts set forth on the inside front cover of this Official Statement. All Series 2015 Bonds shall bear interest (a) from August 1, 2015, if authenticated prior to the first Interest Payment Date, or (b) otherwise from the Interest Payment Date that is, or that immediately precedes, the date on which such Series 2015 Bond is authenticated (unless payment of interest is in default, in which case such Series 2015 Bond shall bear interest from the date to which interest has been paid).

The principal of and interest on the Series 2015 Bonds shall be payable in lawful money of the United States of America. Principal of the Series 2015 Bonds shall be payable by the Trustee upon presentation and surrender of the Series 2015 Bonds as they become due at the Principal Office of the Trustee. Interest on Series 2015 Bonds shall be payable by the Trustee to the Bondholders of Series 2015 Bonds by check or draft mailed to such Bondholders at their addresses as they appear on the bond registration books of the Trustee on the Record Date.

If any principal of or interest on any Series 2015 Bond is not paid when due (whether at maturity, by acceleration, call for redemption, or otherwise), then the overdue installments of principal and, to the extent permitted by law, interest shall bear interest until paid at the same rate set forth in such Series 2015 Bond.

Sources and Uses of Funds

The anticipated sources and uses of proceeds of the Series 2015 Bonds are as follows:

Sources of Funds

Par amount of Series 2015 Bonds	\$3,770,000.00
Transfer from Prior Issue Debt Service Reserve Fund	129,294.38
Transfer from Prior Issue Debt Service Fund	97,671.72
Accrued Interest from 8/1/2015 to 8/26/2015	8,371.09
Original Issue Discount	<u>(40,863.75)</u>
Total Sources of Funds	<u>\$3,964,473.44</u>

Uses of Funds

Deposit to Current Refunding Fund	\$3,757,903.80
Deposit to Debt Service Reserve Fund (DSRF)	118,603.13
Cost of Issuance, including Underwriter's Discount	76,187.50
Deposit to Debt Service Fund	8,371.09
Rounding Amount	<u>3,407.09</u>
Total Uses of Funds	<u>\$3,964,473.44</u>

Security

The Bonds are special obligations of the Issuer, payable solely from and secured by all revenues received by the Issuer from the franchise fees charged for the privilege of using the Issuer's streets and rights-of-way (i) to public utilities pursuant to the authority contained in Ark. Code Ann. §§ 14-200-101 to -112, (ii) as voluntary payments in lieu of taxes from the Issuer's water utility pursuant to the authority contained in Ark. Code Ann. § 14-234-114, and (iii) to a cable service provider pursuant to the Issuer's cable service franchise ordinance and agreement for a term ending May 21, 2022 (the "Revenues"), and by amounts held in funds and accounts established pursuant to the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

The Series 2015 Bonds are issued on a parity of security with the Issuer's \$10,300,000 original principal amount Franchise Fee Secured Refunding Revenue Bonds, Series 2012 (the "Series 2012 Bonds"). Under certain circumstances, one or more series of additional bonds may be issued on a parity of security with the Series 2012 Bonds and the Series 2015 Bonds. See the caption "The Series 2015 Bonds—Additional Bonds" herein.

IN NO EVENT SHALL THE BONDS CONSTITUTE AN INDEBTEDNESS OF THE ISSUER WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER AND UNDER NO CIRCUMSTANCES SHALL THE BONDS BE PAYABLE FROM, NOR SHALL THE HOLDERS THEREOF HAVE ANY RIGHTFUL CLAIM TO, ANY INCOME, REVENUES, FUNDS, OR ASSETS OF THE ISSUER OTHER THAN THOSE PLEDGED UNDER THE INDENTURE.

Rate Covenant

In the Indenture the Issuer covenants to maintain franchise fees charged for the privilege of using the Issuer's streets and rights-of-way (i) to public utilities pursuant to the authority contained in Ark. Code Ann. §§ 14-200-101 to -112, (ii) as voluntary payments in lieu of taxes from the Issuer's water utility pursuant to the authority contained in Ark. Code Ann. § 14-234-114, and (iii) to a cable service provider pursuant to the Issuer's cable service franchise ordinance and agreement for a term ending May 21, 2022, at a level sufficient

to produce annual Revenues at least equal to 150 percent of the maximum annual debt service on all Bonds Outstanding, as permitted under State and federal law.

The Issuer also covenants not to assign the Revenues or create or authorize to be created any debt, lien, or charge thereon, other than the assignment thereof under the Indenture, the indenture pursuant to which the Series 2012 Bonds were issued, and as otherwise provided in the Indenture relating to the issuance of Additional Bonds. The Issuer will not reduce its franchise fees unless it files with the Trustee an opinion of an Accountant to the effect that Revenues for the preceding year, assuming such reduction had been in effect for the entire year, would have equaled not less than 150 percent of the maximum annual debt service on all Bonds Outstanding.

Reserve Fund

The Indenture requires the establishment of a Reserve Fund in an amount equal to the Series Required Reserve on all Outstanding Bonds.

Additional Bonds

The Issuer will not issue any other bonds or obligations having a lien on the Revenues except for Additional Bonds under the circumstances described at this caption. Additional Bonds may be issued when there has been filed with the Trustee, among other things, one of the following: (a) if the Additional Bonds are to be issued to acquire, construct, or equip capital improvements, a written opinion of an Accountant that the Revenues collected by the Issuer in the year immediately prior to the year in which the Additional Bonds are proposed to be issued were at least 150 percent of the maximum annual debt service on all Outstanding Bonds plus the Additional Bonds proposed to be issued, and (b) if the Additional Bonds are to be issued to refund any Series of Bonds Outstanding, a written opinion of an Accountant that the test set forth in (a) has been satisfied or that annual debt service on the Additional Bonds proposed to be issued does not exceed annual debt service on all Bonds which would have been Outstanding had the same not been refunded. In making the computation set forth in (a) above, the Issuer and the Accountant providing the opinion may treat any increase in franchise fees enacted subsequent to the first day of such preceding year as having been in effect throughout that year and may include in Revenues for the year the amount that would have been received, based on such opinion or report, had the increase been in effect throughout the year.

The Issuer may issue junior lien debt so long as any lien on Revenues is expressly subordinate to that lien securing the Bonds.

The Issuer

General

The City of Texarkana, Arkansas is organized under the laws of the State of Arkansas as a city of the first class. Incorporated in 1880, Texarkana is the county seat of Miller County. Texarkana encompasses approximately 37 square miles and is located in the southwest corner of the State of Arkansas 143 miles southwest of Little Rock, 71 miles north of Shreveport, Louisiana, and 181 miles east of Dallas, Texas.

Texarkana's economy relies on an industrial base that is strong and broadly diversified. Over the past 30 years, manufacturing employment grew steadily with approximately 70% of the new jobs coming from expansions of existing industry and 30% from new plants. Employers such as Cooper Tire & Rubber Co., International Paper, and Martin Marietta have plants in the Texarkana area. These employers draw their workers from a population of more than 200,000 within a 30-mile radius of Texarkana. With 32 truck lines having terminals in Texarkana, freight trucked from Texarkana can reach almost 50 million people in 10 hours or less. Once Interstate 49 connecting Shreveport, Louisiana, and Kansas City, Missouri, is complete, Texarkana will be a part of interstates connecting Canada, the United States, and Mexico (I-49 and I-69). In

addition, Texarkana is served by the Union Pacific and Kansas City Southern railroads and the Texarkana Regional Airport, a full-service commercial facility.

Government

The Issuer operates under the City Manager form of municipal government. It has a seven member Board of Directors, with six Directors elected by wards, and a mayor who serves as a seventh member of the Board of Directors. The Mayor’s position is a citywide elected position and must be elected by at least a plurality of the votes cast. All Directors and the Mayor serve four year terms.

The current Mayor and members of the Board of Directors are as follows:

Name, Office	Term Expires	Occupation
Ruth Penney Bell, Mayor	2018	Retired English teacher
Allan Wren	2016	Director of Respite Care of the Alzheimer’s Alliance Tristate Area
Laney J. Harris	2016	Retired
Tim Johnson	2018	Retired AT&T Service Tech
Travis N. Odom	2018	Retired Drivers Administration Hearing Officer – State of Arkansas
Barbara S. Miner	2018	Self-Employed
Sue Johnson	2016	Registered Nurse and Hospital Department Director

The principal executive officers of the Issuer are:

Office	Name	Employment History	Education
Acting City Manager	Kenny Haskin	City of Texarkana, AR 2008-Present	BBA, 1992, Henderson State University; MPA, 2008, Webster University; THD, 2010, Saint Mary’s University
Finance Director	TyRhonda Henderson	City of Texarkana, AR 2011-Present	BBA, 2006, University of Central Arkansas; MBA, 2009, Webster University
City Attorney	George Matteson	City Attorney 2013-Present; Moore, Giles, & Matteson, LLP 2013-Present; Harrelson & Matteson, P.A. 2008-2013	BS, 1997, University of Arkansas; JD, 2000, University of Arkansas, School of Law

The City Manager and the City Attorney are appointed by the Board of Directors; the Finance Director is employed by the City Manager.

The Issuer provides a broad range of municipal services under the auspices of the City Manager, including: Police, Fire, Parks and Recreation, Finance, City Clerk, Personnel, Neighborhoods and Planning, Public Works, General Services, and Management Support. Boards and commissions have primary responsibility for the operation of the Issuer’s Airport, Water Works, Wastewater Utility, and Emergency Medical Service.

Demographic Information

Following are selected statistics, indices, and financial information for the Issuer:

Population. The following chart sets out population data for the City of Texarkana and Miller County (source: Arkansas Statistical Abstract; U.S. Census):

Year	Texarkana	Miller County
2014	30,016	43,428
2010	29,919	43,462
2000	26,448	40,443
1990	22,631	38,465
1980	21,459	37,766

Assessed Valuation. The following table contains the assessed valuation of real, mineral, personal, and utility property in the City of Texarkana (Source for Real, Mineral, Personal & Utility: Miller County Assessor):

Year	Real Property	Mineral Values	Personal Property	Utility Property	Total
2014	253,797,552	59,288	77,991,099	20,267,290	352,115,229
2013	241,795,310	55,200	75,087,727	19,117,930	336,056,167
2012	233,501,880	51,429	71,119,693	16,358,050	321,031,052
2011	221,917,537	46,924	67,751,470	16,109,570	305,825,501

Unemployment Statistics. Unemployment rates in the Texarkana, Texas-Texarkana, Arkansas Metropolitan Statistical Area are shown below (source: U.S. Department of Labor, Bureau of Labor Statistics):

Year	Rate
2015 (April)*	4.8%
2014	6.2
2013	7.2
2012	7.0
2011	7.7

* Provisional.

Principal Employers. The principal employers in the Texarkana area are identified below (source: Texarkana Chamber of Commerce):

Company	Local Employees	Primary Business/Local Function
Red River Army Depot & Tenants	4,872	Manufacturer/Processors
Christus St. Michael Health System	1,777	General Medical Hospital
Cooper Tire & Rubber	1,653	Manufacturer of Passenger Tires
Texarkana TX Ind. School District	1,219	Primary & Secondary Education
Wal-Mart/Sam's Club	1,100	Discount Stores
Domtar, Inc.	975	Fine Finished Papers
Texarkana AR School District	792	Primary & Secondary Education

Wadley Regional Medical	750	General Medical Hospital
International Paper Company	777	Cup and Folding Carton
Southern Refrigerated Transport	1,230	Refrigerated Trucking
Texarkana Texas – City	410	General Government
Texarkana College	425	Post-Secondary Education
Collum & Carney Clinic	552	General Medical Services
Truman Arnold Companies	750	Petroleum Marketing
Liberty Eylau Ind. School District	420	Primary & Secondary Education
McDonald's	450	Restaurants
Albertson's	250	Supermarkets
Pleasant Grove Ind. School District	267	Primary & Secondary Education
E-Z Mart Stores, Inc.	274	Convenience Stores
Ledwell & Sons Enterprises	380	Manufacture of Truck Bodies
Day And Zimmerman, Inc.	234	Small Arms Ammunition
Wholesale Electric	256	Distributor
Texarkana Arkansas – City	241	General Government
Smith-Blair, Inc.	220	Large Valves and Couplings

Debt Structure

The following table sets forth for each year the amounts required to be made available for the payment of principal of and sinking fund installments and interest on the Series 2012 Bonds and the Series 2015 Bonds:

Year	Total Debt Service on Series 2015 Bonds	Total Debt Service on 2012 Bonds	Total Debt Service
2016	\$205,268.75	\$616,257.50	821,526.25
2017	229,193.75	615,557.50	844,751.25
2018	232,928.13	619,757.50	852,685.63
2019	231,203.13	616,507.50	847,710.63
2020	229,046.88	617,357.50	846,404.38
2021	231,843.76	612,907.50	844,751.26
2022	234,000.01	617,507.50	851,507.51
2023	230,562.51	616,620.00	847,182.51
2024	227,125.01	615,407.50	842,532.51
2025	228,618.76	614,047.50	842,666.26
2026	229,468.76	617,002.50	846,471.26
2027	229,656.26	614,272.50	843,928.76
2028	234,581.26	615,817.50	850,398.76
2029	229,331.26	621,440.00	850,771.26
2030	228,993.76	620,290.00	849,283.76
2031	228,381.26	618,570.00	846,951.26
2032	227,490.63	616,280.00	843,770.63
2033	231,328.13	618,420.00	849,748.13
2034	224,984.38	614,800.00	839,784.38
2035	228,459.38	614,600.00	843,059.38
2036	226,425.01	618,600.00	845,025.01
2037	228,868.76	616,600.00	845,468.76
2038	226,021.88	<u>618,800.00</u>	844,821.88
2039	227,884.38	-	227,884.38

Year	Total Debt Service on Series 2015 Bonds	Total Debt Service on 2012 Bonds	Total Debt Service
2040	<u>229,359.38</u>	-	<u>229,359.38</u>
Totals	<u>\$5,711,025.18</u>	<u>\$14,187,420.00</u>	<u>\$19,898,445.18</u>

Revenues

Sources of Revenues

The Revenues consist of franchise fees imposed by the Issuer for products and services furnished or rendered by various public utilities within the Issuer's city limits for the permission to occupy the streets, highways, or other public ways of the Issuer. The maximum amount of franchise fee that may be charged is the higher of the amount in effect as to a utility on January 1, 1997 or 4.25%, unless agreed to by the affected utility or approved by the voters of the Issuer. At the request of the Issuer, Southwest Electric Power Company and CenterPoint Entergy (formerly, Reliant Gas Company) agreed to a rate higher than 4% for commercial and residential customers, as reflected in the chart below. The increased rate was adopted by the Issuer on December 18, 2006. During 2014, Revenues were collected from the following public utilities:

Public Utility	Rate	Payable
Southwest Electric Power Company (SWEPCO)	6% of gross receipts for commercial and residential customers; 4% of gross receipts for industrial customers	Monthly
Cable ONE	5% of gross receipts	Monthly
Windstream	Fixed amount subject to annual inflation adjustments per 1995 right-of-way agreement	Quarterly
CenterPoint Energy	6% of gross receipts for commercial and residential customers; 4% of gross receipts for industrial customers	Monthly
Cooper Tire and Rubber Company (natural gas provided by independent provider)	4% of gross receipts	Quarterly
Southwest Arkansas Electric Cooperative	6% of gross receipts	Quarterly
Texarkana Water Utilities	4% of water sales (voluntary payment)	Monthly

Historical Revenues

Set forth below is a table showing the Revenues of the Issuer for the past 5 years:

	2010	2011	2012	2013	2014
Electric: SWEPCO	\$1,485,397	\$1,498,297	\$1,569,624	\$1,578,736	\$1,664,531
Cable TV: Cable ONE	229,506	218,638	217,116	188,192	208,267
Telephone: Windstream	260,336	273,295	286,898	301,221	316,261
Natural Gas: CenterPoint	446,996	392,886	309,578	360,903	391,683
Natural Gas: Cooper Tire	96,831	83,246	59,067	76,341	96,837
Electric: SW Ark. Co-Op	200,821	215,362	200,608	236,414	245,237
Texarkana Water Utilities**	<u>155,579</u>	<u>168,820</u>	<u>159,737</u>	<u>155,943</u>	<u>146,885</u>
Total	<u>\$2,875,466</u>	<u>\$2,850,544</u>	<u>\$2,802,628</u>	<u>\$2,897,750</u>	<u>\$3,069,701</u>

*** Voluntary payment.

Risk Factors Relating to Electric Utility Deregulation

A significant portion of the Revenues is derived from Southwest Electric Power Company and Southwest Arkansas Electric Cooperative. Electric utilities have been and will be affected significantly by changes in the last several years in federal and state laws and regulations, the purpose of which has been to reduce the regulation of the industry and open it to competition. It is impossible for the Issuer to predict the impact of any of these legal and regulatory changes.

Estimated Debt Service Coverage

Based on actual 2014 Revenues, the Revenues will provide coverage of debt service on the Series 2012 Bonds and the Bonds as follows:

2014 Revenues	\$3,069,701
Maximum Annual Debt Service on Series 2012 Bonds and the Series 2015 Bonds	\$852,685
Debt Service Coverage	3.6X

The Refunding

The Issuer has previously issued the Prior Bonds in the original principal amount of \$3,775,000. The Prior Bonds are outstanding in the principal amount of \$3,690,000 with the interest rates ranging from 2.45% to 5.00%, and are scheduled to mature on April 1 in the years 2016 through 2030 inclusive, 2035, and 2040. The Prior Bonds maturing on and after April 1, 2016 will be called for redemption prior to maturity by the Issuer at a redemption price of 100% of the principal amount thereof, plus accrued interest to the maturity or redemption date, on August 26, 2015.

Legal Matters

General

Federal Tax Exemption. In the opinion of Rose Law Firm, a Professional Association, Bond Counsel, assuming compliance with the Issuer's covenants in the Indenture and with certain provisions of the Indenture relating to arbitrage and the use of proceeds of the Series 2015 Bonds, interest on the Series 2015 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Failure to comply with certain of the Issuer's covenants in Indenture could cause the interest on the Series 2015 Bonds to be included in gross

income retroactive to the date of issuance of the Series 2015 Bonds. The Issuer has covenanted to comply with all such requirements.

The Issuer has designated the Series 2015 Bonds as “qualified tax-exempt obligations” within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2015 Bonds in order for interest on the Series 2015 Bonds to be and remain excludable from gross income for purposes of federal income taxation. Examples include: the requirement that the Issuer rebate certain excess earnings on proceeds and amounts treated as proceeds of the Series 2015 Bonds to the United States Treasury; restrictions on investment of such proceeds and other amounts; and restrictions on the ownership and use of the facilities financed with proceeds of the Series 2015 Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the Issuer subsequent to the issuance of the Series 2015 Bonds to maintain the exclusion of interest of the Series 2015 Bonds from income for federal income taxation purposes. Failure to comply with such requirements may cause interest on the Series 2015 Bonds to be included in gross income retroactively to the date of issuance of the Series 2015 Bonds. The Issuer has covenanted in the Indenture to comply with these requirements. The opinion of Bond Counsel delivered on the date of issuance of the Series 2015 Bonds is conditioned on compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with requirements such as described above subsequent to the issuance of the Series 2015 Bonds.

Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Series 2015 Bonds.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2015 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the Series 2015 Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Series 2015 Bonds.

Prospective purchasers of the Series 2015 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the “branch profits tax,” individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Series 2015 Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made after March 31, 2007, to any Series 2015 Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2015 Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding, or selling tax-exempt obligations.

Effects of Future Enforcement, Regulatory, and Legislative Actions. The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the IRS audits the Series 2015 Bonds, the IRS will, under its current procedures, treat the Issuer as the taxpayer. As such, the beneficial owners of the Series 2015 Bonds

will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Series 2015 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Series 2015 Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and various State legislatures. The U.S. Department of the Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code. Court proceedings may also be filed, the outcome of which could modify the federal or State tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Series 2015 Bonds, regulatory clarification of the Code, or actions by a court involving either the Series 2015 Bonds or other tax-exempt obligations will not have an adverse effect on the Series 2015 Bonds' federal or State tax status, marketability, or market price or on the economic value of the tax-exempt status of the interest on the Series 2015 Bonds.

Proposed, pending, or future tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of the interest on the Series 2015 Bonds subsequent to their issuance. Future legislation could directly or indirectly reduce or eliminate the value of certain deductions and exclusions, including the benefit of the exclusion of tax-exempt interest on the Series 2015 Bonds from gross income for federal income tax purposes. Any such proposed legislation, actions, or decisions, whether or not enacted, taken, or rendered, could also adversely affect the value and liquidity of the Series 2015 Bonds.

It is not an event of default on the Series 2015 Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or State tax legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion.

State Taxes. Bond Counsel is of the opinion that, under existing law, the interest on the Series 2015 Bonds is exempt from all State of Arkansas, county, and municipal taxes, including, without limitation, all income, property, and inheritance taxes.

Original Issue Discount

The Series 2015 Bonds maturing in the years 2035 and 2040 (collectively, the "Discount Bonds") are being sold at an original issue discount. The difference between the initial public offering prices, as set forth inside the front cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

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

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield of maturity for such Discount Bond (determined by compounding at the each of accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original

purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

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

Legal Opinions

All matters relating to the legality of the proceedings for the authorization, issuance, and sale of the Series 2015 Bonds have been, or will be, approved on behalf of the Issuer by Rose Law Firm, a Professional Association, Bond Counsel. Payment of the fees of Bond Counsel will be made by the Issuer from proceeds of the Series 2015 Bonds and is contingent upon the issuance and delivery of the Series 2015 Bonds.

Legal Proceedings

The Issuer will provide at closing a certificate to the effect that there is no litigation pending seeking to restrain or enjoin the issuance of the Series 2015 Bonds, or questioning or affecting the legality of the Series 2015 Bonds or the proceedings and authority under which the Series 2015 Bonds are to be issued, or questioning the right of the Issuer to enter into the Indenture or to issue the Series 2015 Bonds, that there is no litigation pending or, to management's knowledge, threatened against the Issuer or its properties.

No Rating

No rating has been obtained on the Bonds.

Underwriting

The Series 2015 Bonds are being purchased by Stephens Inc. (the "Underwriter") at an aggregate purchase price of \$3,699,918.75 (the principal amount less Underwriter's discount of \$29,217.50 or .775% of par and less \$40,863.75 original issue discount) plus accrued interest to date of delivery. Pursuant to a Bond Purchase Agreement with the Issuer, the Underwriter will purchase all of the Series 2015 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices may be changed from time to time by the Underwriter.

The Underwriter may offer and sell Series 2015 Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof.

Miscellaneous

Additional Information

The references herein to Arkansas statutes and acts, the Indenture, and other materials are brief summaries or outlines of certain provisions thereof. Such summaries or outlines do not purport to be complete and for full and complete statements of such provisions, reference is made to such instruments, documents, and other materials, copies of which are on file at the principal corporate trust office of the Trustee.

All the information contained or incorporated by reference in this Official Statement concerning the Issuer has been furnished by the Issuer. The Underwriter has furnished the information in this Official Statement with respect to the public offering price of the Series 2015 Bonds and the information contained under the caption "Underwriting."

Approval of Official Statement

All projections, estimates, and other statements in this Official Statement involving matters of opinion, whether or not so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or owners of any of the Series 2015 Bonds.

The Board of Directors of the Issuer has approved this Official Statement.

City of Texarkana, Arkansas

By: _____
Ruth Penney Bell, Mayor

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Appendix A

Definitions

The following are definitions of some of the words and terms used in this Official Statement:

“Accountant” means an independent certified public accountant or firm of independent certified public accountants (who may be an Accountant for the Issuer but who is not an official, officer, or employee of the Issuer), acceptable to the Trustee.

“Act” means the Local Government Capital Improvement Revenue Bond Act of 1985, Ark. Code Ann. §§ 14-164-401 to -418.

“Additional Bonds” means the additional parity bonds authorized to be issued by the Issuer pursuant to the provisions of the Indenture to pay the costs of constructing capital improvements or the costs of refunding, to the extent permitted by law, any Outstanding Bonds. See the caption “The Series 2015 Bonds—Additional Bonds” in the Official Statement.

“Annual Debt Service” means, for any year as applied to outstanding Bonds, the sum of all amounts required to pay principal (at maturity or upon mandatory redemption) and interest due in such year on all outstanding Bonds.

“Authorized Denomination” means \$5,000 and any multiple thereof.

“Bankruptcy Code” means Title 11 of the United States Code, as it is amended from time to time, and any successor thereto or replacement thereof.

“Beneficial Owner” means, for any Bond that is held by a nominee, the beneficial owner of such Bond.

“Bond” or “Bonds” means the Series 2012 Bonds, the Series 2015 Bonds, and any Additional Bonds subsequent to the issuance of the Series 2015 Bonds as authorized to be issued pursuant to the Indenture.

“Bond Counsel” means Rose Law Firm, a Professional Association, Little Rock, Arkansas, or any other firm of attorneys of nationally recognized expertise with respect to tax-exempt obligations of political subdivisions, selected by the Issuer and not unacceptable to the Trustee.

“Bondholder” or “holder of Bonds” or “owner of Bonds” means the Person in whose name a Bond is registered in the Bond Register.

“Book Entry Bonds” means that part of a Series for which a Securities Depository or its nominee is the Bondholder.

“Bond Ordinance” means the ordinance adopted by the Issuer on July 20, 2015, authorizing the issuance of the Series 2015 Bonds and the execution and delivery of the Indenture.

“Business Day” means any day of the year other than (a) a Saturday or Sunday, (b) any day on which banks located in Texarkana, Arkansas or the city in which the Principal Office of the Trustee is located are required or authorized by law to remain closed, or (c) any day on which the New York Stock Exchange is closed.

“Code” means the Internal Revenue Code of 1986, as amended and supplemented from time to time. Each reference to a section of the Code shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, relating to such section, which are applicable to the Indenture, including the Bonds, the use of Bond proceeds, or the facilities refinanced by the Prior Bonds.

“Conditional Redemption” means a redemption where the Issuer has stated in the redemption notice to the Trustee that the Issuer has retained the right to rescind the redemption. See the caption “The Series 2015 Bonds—Notice of Redemption” in the Official Statement.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of August 1, 2015, by and between the Issuer and the Trustee. See the caption “Introduction—General—Continuing Disclosure” in the Official Statement and Appendix C—Form of Continuing Disclosure Agreement.

“Counsel” means an attorney-at-law or law firm (who may be Counsel for the Issuer), acceptable to the Trustee.

“Debt Service Fund” means the trust fund so designated which is created by the Indenture. See the caption “Security for the Bonds—Debt Service Fund” in the Official Statement.

“Defeasance Obligations” means obligations of the type described in (a), (b), (c), or (d) of the definition of “Eligible Investments.”

“DTC” means The Depository Trust Company.

“Eligible Investments” means:

(a) Governmental Obligations;

(b) obligations of any agency or instrumentality of the United States Government which represent full faith and credit of the United States of America;

(c) U.S. dollar denominated certificates of deposit issued by a bank or trust company which are (1) fully insured by the Federal Deposit Insurance Corporation or any similar corporation chartered by the United States or (2) secured by a pledge of any Governmental Obligations which have an aggregate market value, exclusive of accrued interest, equal at least to the principal amount of the certificates so secured, which security is held in a custody account by a custodian satisfactory to the Trustee;

(d)(1) evidences of a direct ownership in future interest or principal payments on obligations of the type described in (a) above, which obligations are held in a custody account by a custodian satisfactory to the Trustee pursuant to the terms of a custody agreement and (2) obligations issued by any state of the United States or any political subdivision, public instrumentality, or public authority of any state, which obligations are not callable before the date the principal thereof will be required to be paid and which obligations are fully secured by and payable solely from obligations of the type described in (a) above, which securities are held pursuant to an agreement in form and substance acceptable to the Trustee;

(e) U.S. dollar denominated deposit accounts, federal funds, and banker’s acceptances with commercial banks (foreign or domestic) which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase;

(f) money market funds rated “AAAm” or “AAAm-G” or better by S&P; and

(g) investment agreements constituting an obligation of a bank, holding company, savings and loan association, trust company, financial institution, insurance company, securities dealer, or other credit provider whose outstanding unsecured long-term debt is rated at the time of such agreement in any of

the two highest rating categories (without regard to any refinement of gradation of rating by numerical modifier or otherwise) by S&P and Moody's.

"Event of Bankruptcy" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceedings) by or against the Issuer, as debtor, under the Bankruptcy Code or any other bankruptcy, reorganization, insolvency, or other similar law as now or hereafter in effect.

"Event of Default" means any of the events specified the Indenture to be an Event of Default. See the caption "Event of Default and Remedies—Events of Default Defined" in Appendix B—Summary of Portions of the Indenture. A "default" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"Funds" means the Debt Service Fund and the Reserve Fund and (a) any account within each such Fund and (b) any other Fund designated as such with respect to a Series.

"Governmental Obligations" means (a) direct obligations of the United States of America, (b) obligations the timely payment of the principal of and interest on which is fully and unconditionally guaranteed by the United States of America, and (c) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (a) or (b).

"Immediate Notice" means notice transmitted by electronic means, in writing, by telecopier, or by telephone (promptly confirmed in writing), and received by the party addressed.

"Indenture" means the Trust Indenture, dated as of August 1, 2015, between the Issuer and the Trustee, with any amendments or supplements made thereto in accordance with the terms thereof.

"Interest Payment Date" means (a) October 1 and April 1 of each year beginning April 1, 2016, (b) for Series 2015 Bonds subject to redemption in whole or in part on any date, the date of such redemption, and (c) for all Series 2015 Bonds any date determined by the Trustee following an Event of Default (see the caption "Events of Default and Remedies—Priority of Payment Following Event of Default" in Appendix B—Summary of Portions of the Indenture).

"Issuance Costs" means costs incurred by or on behalf of the Issuer in connection with the issuance of the Bonds including, without limitation, the following: payment of financial, legal, accounting, and appraisal fees, expenses, and disbursements, the Issuer's fees and expenses attributable to the issuance of the Bonds, the cost of printing, engraving, and reproduction services, legal fees and expenses for Bond Counsel, Issuer's Counsel, Trustee's Counsel, and Underwriter's Counsel relating to the issuance of the Bonds, the initial or acceptance fee of the Trustee, and all other fees, charges, and expenses incurred in connection with the issuance of the Bonds and the preparation and filing or recording of the Indenture and of any document relating to the issuance of the Bonds.

"Issue Date" means the date of issuance and delivery of the Series 2015 Bonds to the Underwriter.

"Issuer" means the City of Texarkana, Arkansas and its successors and assigns.

"Issuer Representative" means the City Manager or Finance Director of the Issuer.

"Letter of Representations" means the Issuer's Blanket Letter of Representations, executed by the Issuer and the Trustee and delivered to the Securities Depository and any amendments thereto or successor blanket agreements between the Issuer and any successor Securities Depository, relating to a system of Book Entry Bonds to be maintained by the Securities Depository with respect to bonds of the Issuer.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall no longer perform the functions

of a securities rating service, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating service designated by the Issuer, with the approval of the Trustee.

“Officer’s Certificate” of the Issuer means a written certificate, statement, request, direction, or order signed in the name of the Issuer by its Mayor, City Clerk, an Issuer Representative, or such other person as may be designated and authorized in writing to sign for the Issuer, signed by its Mayor and forwarded to the Trustee.

“Outstanding,” in connection with Bonds means, as of the time in question, all Bonds authenticated and delivered under the Indenture, except:

A. Bonds theretofore canceled or delivered to the Trustee for cancellation,

B. Bonds which are deemed to have been paid in accordance with the provisions of the Indenture (see the caption “Defeasance” in Appendix B—Summary of Portions of the Indenture), and

C. Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the provisions of the Indenture.

In determining whether the owners of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent, or waiver under the provisions of the Indenture, Bonds which are held by or on behalf of the Issuer (unless all of the Outstanding Bonds are then owned by the Issuer) shall be disregarded for the purpose of any such determination.

“Paying Agent” or “Co-Paying Agent” means any national banking association, bank and trust company, or trust company appointed by the Issuer and meeting the qualifications of, and subject to the obligations of, the Trustee in the Indenture. Initially, the Trustee shall be the Paying Agent.

“Person” or “person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Office of any Paying Agent” means the office designated in writing to the Trustee.

“Principal Office of the Trustee” means the designated corporate trust office of the Trustee, which office at the date of acceptance by the Trustee of the duties and obligations imposed on the Trustee by the Indenture is 12615 Chenal Parkway, Little Rock, Arkansas 72211.

“Prior Bonds” means the Issuer’s \$3,775,000 original principal amount Franchise Fee Secured Capital Improvement Revenue Bonds, Series 2010.

“Record Date” means, (a) with respect to any Interest Payment Date described in (a) or (b) of that defined term, (1) in the case of Bonds which are not Book Entry Bonds the Trustee’s close of business on the 15th day of the calendar month next preceding such Interest Payment Date, regardless of whether such day is a Business Day, and (2) in the case of Book Entry Bonds the Trustee’s close of business on the Business Day preceding the Interest Payment Date, and (b) with respect to any other Interest Payment Date, a date selected by the Trustee.

“Regulations” means any applicable Internal Revenue Service Regulations promulgated in proposed, temporary, or final form pursuant to the Code or any corresponding provision of a predecessor or successor statute. Proposed regulations are “applicable” only if, in the event they are adopted in final form, such regulations would apply to the Bonds.

“Required Reserve” means, as of any date, the aggregate of the Series Required Reserve for all Series of Bonds for which any Bonds of such Series are at the time Outstanding.

“Reserve Fund” means the trust fund so designated which is described in the Indenture. See the captions “Security for the Bonds—Reserve Fund” in the Official Statement and “Funds and Accounts—Reserve Fund” in Appendix B—Summary of Portions of the Indenture.

“Responsible Officer,” when used with respect to the Trustee, means any officer in the corporate trust department (or any successor thereto) of the Trustee, or any other officer or representative of the Trustee customarily performing functions similar to those performed by any of such officers and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of that officer’s knowledge of and familiarity with the particular subject.

“Revenues” means (a) all revenues received by the Issuer from the franchise fees charged for the privilege of using the Issuer’s streets and rights-of-way (i) to public utilities pursuant to the authority contained in Ark. Code Ann. §§ 14-200-101 to -112, (ii) as voluntary payments in lieu of taxes from the Issuer’s water utility pursuant to the authority contained in Ark. Code Ann. § 14-234-114, and (iii) to a cable service provider pursuant to the Issuer’s cable service franchise ordinance and agreement for a term ending May 21, 2022, (b) all amounts payable to the Trustee with respect to the principal of or interest on the Bonds (1) by the Issuer as required under the Indenture and (2) upon deposit in the Debt Service Fund from the proceeds of the Bonds, and (c) investment income with respect to any moneys held by the Trustee in the Debt Service Fund and the Reserve Fund.

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

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating service, “S&P” shall be deemed to refer to any other nationally recognized securities rating service designated by the Issuer, with the approval of the Trustee.

“Securities Depository” means a person that is registered as a clearing agency under section 17A of the Securities Exchange Act of 1934 or whose business is confined to the performance of the functions of a clearing agency with respect to exempted securities, as defined in section 3(a)(12) of such Act for the purposes of section 17A thereof.

“Series 2012 Bonds” means the Issuer’s \$10,300,000 original principal amount Franchise Fee Secured Refunding Revenue Bonds, Series 2012, issued in accordance with the terms and conditions of a separate trust indenture.

“Series 2015 Bonds” means the Issuer’s \$3,770,000 Franchise Fee Secured Refunding Revenue Bonds, Series 2015.

“Series Required Reserve” means an amount equal to one-half of maximum annual debt service on the Bonds.

“State” means the State of Arkansas.

“Trust Estate” means all right, title, and interest of the Issuer in and to (a) Revenues, (b) Funds, and (c) all other property of every name and nature from time to time hereafter by delivery or by writing mortgaged, pledged, delivered, or hypothecated as and for additional security under the Indenture by the Issuer or by anyone on its behalf or with its written consent in favor of the Trustee.

“Trustee” means the bank or trust company serving as trustee under the Indenture. The Trustee for the Series 2015 Bonds is Bank of the Ozarks, a bank organized under and existing by virtue of the laws of Arkansas, and its successors.

“Underwriter” means Stephens Inc., the initial purchaser of the Series 2015 Bonds.

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Appendix B

Summary of Portions 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 Trustee, for a full statement thereof.

Authorization and Registration of Bonds

Registration of Transfer and Exchange of Bonds; Persons Treated as Bondholders. The Trustee shall act as initial bond registrar (the “Bond Registrar”) and in such capacity shall maintain a bond register (the “Bond Register”) for the registration and transfer of Bonds. Upon surrender of any Bonds at the Principal Office of the Trustee, together with an assignment duly executed by the current Bondholder of such Bonds or such Bondholder’s duly authorized attorney or legal representative in such form as shall be satisfactory to the Trustee, such Bonds may, at the option of the Bondholder, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of Authorized Denominations, and bearing interest at the same rate and in the same form as the Bonds surrendered for exchange, registered in the name or names requested by the assignee of the then Bondholder; provided the Trustee is not required to exchange or register the transfer of Bonds after the giving of notice calling such Bond for redemption, in whole or in part.

Any exchange or registration of transfer of Bonds shall be at the expense of the Issuer except that the Trustee may make a charge to any Bondholder requesting such exchange or registration in the amount of any tax or other governmental charge required to be paid with respect thereto but will not impose any other charge.

Prior to due presentment for registration of transfer of any Bond, the Trustee shall treat the Person shown on the Bond Register as owning a Bond as the Bondholder and the Person exclusively entitled to payment of principal thereof and interest thereon and, except as otherwise expressly provided in the Indenture, the exercise of all other rights and powers of the owner thereof, and neither the Issuer, the Trustee, nor any agent of the Issuer or the Trustee shall be affected by notice to the contrary.

Mutilated, Lost, or Destroyed Bonds. If any Bond has been mutilated, lost, or destroyed, the Issuer shall execute, and the Trustee shall authenticate and deliver to the Bondholder, a new Bond of like date and tenor in exchange and substitution for, and upon cancellation of, such mutilated Bond or in lieu of and in substitution for such lost or destroyed Bond but only if the Bondholder has paid the reasonable expenses and charges of the Issuer and the Trustee in connection therewith and, in the case of a lost or destroyed Bond, (a) filed with the Trustee evidence satisfactory to the Trustee that such Bond was lost or destroyed and (b) furnished to the Trustee indemnity satisfactory to it. If any such Bond has matured or been called for redemption and is payable, instead of issuing a new Bond the Trustee may pay the same without issuing a replacement Bond.

If, after the delivery of such replacement Bond, the original Bond in lieu of which such replacement Bond was issued is presented for payment or registration, the Trustee shall seek to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom and shall be entitled to recover from the security or indemnity provided therefor to the extent of any loss, damage, cost, or expense incurred by the Trustee or the Issuer in connection therewith.

Securities Depository Provisions. The Series 2015 Bonds shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), and shall be held in the custody of DTC. The Issuer and the Trustee acknowledge that they have executed and delivered a Letter of Representations with

DTC. All payments of principal of and interest on the Series 2015 Bonds and all notices with respect thereto, including notices of full or partial redemption, shall be made and given at the times and in the manner set out in the Letter of Representations. The terms and provisions of the Letter of Representations shall govern in the event of any inconsistency between the provisions of the Indenture and the Letter of Representations. The Letter of Representations may be amended without Bondholder consent. All payments of principal of and interest on the Book Entry Bonds and all notices with respect thereto, including notices of full or partial redemption, shall be made and given at the times and in the manner set out in the Letter of Representations.

The book-entry registration system for all of the Series 2015 Bonds may be terminated and certificates delivered to and registered in the name of the Beneficial Owners, under either of the following circumstances:

(a) DTC notifies the Issuer and the Trustee that it is no longer willing or able to act as Securities Depository for the Series 2015 Bonds and a successor Securities Depository for the Series 2015 Bonds is not appointed by the Issuer prior to the effective date of such discontinuation; or

(b) The Issuer determines that continuation of the book-entry system through DTC (or a successor securities depository) is not in the best interest of the Issuer.

In the event a successor Securities Depository is appointed by the Issuer, the Series 2015 Bonds will be registered in the name of such successor securities depository or its nominee. In the event certificates are required to be issued to Beneficial Owners, the Trustee and the Issuer shall be fully protected in relying upon a certificate of DTC or any DTC participant as to the identity of and the principal amount of Series 2015 Bonds held by such Beneficial Owners.

The Beneficial Owners of Bonds will not receive physical delivery of certificates except as provided in the Indenture. For so long as there is a Securities Depository for the Bonds, all of such Bonds shall be registered in the name of the nominee of the Securities Depository, all transfers of beneficial ownership interests in such Bonds will be made by the nominee of the Securities Depository, and no investor or other party purchasing, selling, or otherwise transferring beneficial ownership of such Bonds is to receive, hold, or deliver any certificate. The Issuer and the Trustee shall have no responsibility or liability for transfers of beneficial ownership interests in such Bonds.

The Issuer and the Trustee will recognize the Securities Depository or its nominee as the Bondholder for all purposes, including receipt of payments, notices, and voting; provided the Trustee may recognize votes by or on behalf of Beneficial Owners as if such votes were made by Bondholders of a related portion of the Bonds when such votes are received in compliance with an omnibus proxy or other comparable evidence delivered to the Trustee by the Bondholders.

With respect to Book Entry Bonds, the Issuer and the Trustee shall be entitled to treat the Person in whose name such Bond is registered as the absolute owner of such Bond for all purposes of the Indenture, and neither the Issuer nor the Trustee shall have any responsibility or obligation to any Beneficial Owner of such Book Entry Bond. Without limiting the immediately preceding sentence, neither the Issuer nor the Trustee shall have any responsibility or obligation with respect to (a) the accuracy of the records of any Securities Depository or any other Person with respect to any ownership interest in Book Entry Bonds, (b) the delivery to any Person, other than a Bondholder, of any notice with respect to Book Entry Bonds, including any notice of redemption or refunding, (c) the selection of the particular Bonds or portions thereof to be redeemed or refunded in the event of a partial redemption or refunding of part of the Bonds Outstanding, or (d) the payment to any Person, other than a Bondholder, of any amount with respect to the principal of or interest on Book Entry Bonds. See Appendix D—Book-entry Only System.

Purchase at Any Time

The Trustee, upon the written request of the Issuer, shall purchase Bonds as specified by the Issuer in the open market at a price not exceeding a price set by the Issuer. Such purchase of Bonds shall be made with funds provided by the Issuer and not with any portion of the Trust Estate. Upon purchase by the Trustee, such Bonds shall be treated as delivered for cancellation pursuant to the Indenture. Nothing in the Indenture

shall prevent the Issuer from purchasing Bonds on the open market without the involvement of the Trustee and delivering such Bonds to the Trustee for cancellation pursuant to the Indenture. The principal amount of Bonds to be redeemed by optional redemption under the Indenture may be reduced by the principal amount of Bonds purchased by the Issuer and delivered to the Trustee for cancellation at least 45 days prior to the redemption date.

Funds and Accounts

Creation of Funds. The following funds are created by the Indenture and the proceeds of the Bonds and all Revenues received by the Trustee are, subject to the provisions of the Indenture regarding priority of payment following an Event of Default (see the caption “Events of Default and Remedies—Priority of Payment Following Event of Default” herein), to be deposited by it in the Funds and held in trust for the purposes set forth in the Indenture: (a) Debt Service Fund and (b) Reserve Fund.

Debt Service Fund

Deposits into Debt Service Fund. The Trustee shall deposit into the Debt Service Fund a portion of the proceeds of the Series 2015 Bonds (representing accrued interest) for deposit in such Fund as required by the Indenture upon the delivery of the Series 2015 Bonds (see the caption “The Series 2015 Bonds—Sources and Uses of Funds” in the Official Statement), the amounts described in the following paragraph, and all other amounts required or permitted under the Indenture to be deposited in the Debt Service Fund.

Payments by Issuer. On the first Business Day of September 2015, and on the first Business Day of each calendar month thereafter, until all outstanding Series 2015 Bonds, with interest thereon, have been paid in full or provision made for such payment the Issuer shall deliver to the Trustee for deposit in the Debt Service Fund an amount equal to $1/6$ of the interest to become due on the next ensuing Interest Payment Date on the Bonds plus $1/12$ of the next installment of principal due on the Bonds at maturity or upon mandatory sinking fund redemption or otherwise, together with the fees and expenses of the Trustee; provided, however, that payments shall be adjusted through March 2016 so that approximately level monthly payments are made in order to provide for the first principal and interest payments. The required deposits shall be reduced by any amount in the Debt Service Fund available for meeting the purpose for which a deposit is required to be made, including amounts received as accrued and capitalized interest upon delivery of a Series of Bonds.

Application of Moneys in Debt Service Fund. Moneys on deposit in the Debt Service Fund shall be applied as follows:

- (1) to the payment of interest, when due, on all Outstanding Bonds, including any accrued interest due in connection with redemptions of Bonds;
- (2) to the payment, when due, of the principal of the Bonds then payable at maturity or upon redemption; and
- (3) to the payment of principal of and interest on Bonds purchased by the Issuer pursuant to the provisions of the Indenture described at the caption “Purchase at Any Time” herein.

Reserve Fund

Deposits into Reserve Fund. The Trustee shall initially deposit in the Reserve Fund an amount equal to the Series Required Reserve on the Series 2015 Bonds from Series 2015 Bond proceeds. In connection with the issuance of any Additional Bonds, the Series Required Reserve shall be recomputed for all Bonds then to be Outstanding, including the Additional Bonds then being issued, and any required increase in the amount on deposit in such Fund shall be funded at settlement for the Additional Bonds. The amount of any withdrawal for the purpose described in (1) below shall be restored by the Issuer in no more than 12 substantially equal, consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the withdrawal is made; provided that, if any withdrawal is made and if, prior to the restoration of the amount withdrawn, an additional withdrawal is made, such additional withdrawal shall be restored in equal monthly installments over the remainder of the restoration period for

the initial withdrawal. In addition, if the fair market value of the investments in the Reserve Fund is less than the Series Required Reserve on all Bonds Outstanding on any valuation date in accordance with the provisions of the Indenture described at the caption “Investment or Deposit of Funds—Valuation of Funds” herein, the difference between such Series Required Reserve and the value of the Reserve Fund shall be restored by the Issuer in no more than six equal, consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the valuation revealing the deficiency is made. Upon the making of any monthly deposit to restore a withdrawal or deficiency, the Issuer may direct the Trustee to recompute the value of the assets in the Reserve Fund, in which event the remaining amount to be restored, if any, after taking the new valuation into account shall be deposited in equal monthly installments over the balance of the restoration period.

Application of Moneys in Reserve Fund. Moneys on deposit in the Reserve Fund shall be applied as follows:

(1) On the date of each required payment from the Debt Service Fund, moneys in the Reserve Fund shall be applied to cure any deficiency in the Debt Service Fund;

(2) Any amount in the Reserve Fund in excess of the Series Required Reserve on all Outstanding Bonds on any valuation date may be (a) transferred to the Debt Service Fund and credited against the payments next becoming due (in direct order) under the Indenture in respect of the principal of or interest on the Bonds, or (b) applied as may be specified by the Issuer if such Certificate is accompanied by an opinion of Bond Counsel to the effect that such application will not cause interest on any Series of Bonds to be includable in gross income for federal income tax purposes; and

(3) In each month during the 12-month period preceding the final maturity date of any Series of Bonds, moneys held in the Reserve Fund shall be credited against the payments otherwise due under the Indenture in respect of principal of and interest on such Series of Bonds and shall be transferred to the Debt Service Fund for the payment of such principal and interest; provided, however, that no such credit shall be given and no such transfer shall be made if and to the extent that, immediately prior to such crediting and transfer, the amount on deposit in the Reserve Fund is not at least equal to the Series Required Reserve on all Bonds, less the amounts previously transferred to the Fund during such 12-month period pursuant to this paragraph.

Credit Facility. The Issuer shall be permitted to substitute a letter of credit, surety bond, or other credit enhancement (each, a “credit facility”) for funds on deposit in the Reserve Fund, provided that:

(1) the credit facility (including any replacement credit facility) is issued by a bank, trust company, national banking association, or insurance company whose unsecured long term debt obligations (in the case of a bank, trust company, or national banking association) or whose claims paying abilities (in the case of an insurance company) are rated AA by a Rating Service, at the time the credit facility is issued and at the time of each extension or renewal thereof;

(2) the issuer of the credit facility does not receive as security for any reimbursement obligation in respect of the credit facility any lien, security interest, or other similar right or interest in any property which is superior to the rights of the Trustee in respect of such property;

(3) the credit facility (including any replacement credit facility, if provided by a different issuer) has an initial term of not less than three years and any extension, renewal, or replacement (if provided by the same issuer) thereof has a term of not less than one year

(4) the Trustee is authorized and has the duty and right to draw on the credit facility to satisfy the purposes for which the Reserve Fund was established; and

(5) the Trustee shall receive an opinion of Counsel to the effect that all of the requirements set forth above have been satisfied.

Upon such substitution, funds on deposit in the Reserve Fund which, when added to the face amount of the credit facility, exceed the Series Required Reserve on all Outstanding Bonds shall be applied as described

at paragraph (2) in “Application of Moneys in Reserve Fund”, above. Thereafter, the credit facility shall be considered a part of the Reserve Fund and the amount available thereunder shall be included in any calculations of the amount required to be retained in the Reserve Fund; provided that, (A) if the sum of the amount available under the credit facility and the amount of moneys on deposit in the Reserve Fund exceeds the amount required to be on deposit, the Issuer shall be permitted (i) to cause the amount available under the credit facility to be reduced by an amount equal to such excess, or (ii) to direct that the excess moneys be applied as permitted under the Indenture, and (B) if the credit facility is not extended, renewed, or replaced at least six months prior to its scheduled expiration or termination date, the Trustee shall, not later than 10 days prior to such date, draw on the credit facility for the full amount thereof.

If there are cash and investments on deposit in the Reserve Fund in addition to a credit facility, such cash and investments will be drawn on prior to any draws on such credit facility.

Repayment to the Issuer from Amounts Remaining in Any Funds. Any amounts remaining in any Funds after all of the Outstanding Bonds shall be deemed paid and discharged under the provisions of the Indenture and after payment of all fees, charges, and expenses of the Trustee, the Bond Registrar, and any Paying Agents and of all other amounts required to be paid under the Indenture, shall be paid to the Issuer to the extent that such amounts are in excess of those necessary to effect the payment and discharge of the Outstanding Bonds.

Disposition of Unclaimed Funds. Notwithstanding any provisions of the Indenture, and subject to applicable unclaimed property laws, any money deposited with the Trustee or any Paying Agent in trust for the payment of principal of or interest on the Bonds remaining unclaimed for three years after the payment thereof: (a) shall be reported and disposed of by the Trustee in accordance with applicable unclaimed property laws; or (b) to the extent permitted by applicable law, shall be paid to the Issuer, whereupon all liability of the Trustee with respect to such money shall cease, and the holders of the Bonds shall thereafter look solely to the Issuer for payment of any amounts then due. All moneys held by the Trustee or any Paying Agent and subject to the provisions of the Indenture described at this caption shall be held uninvested and without liability for interest thereon.

Investment or Deposit of Funds

Deposits and Security Therefor. All moneys received by the Trustee under the Indenture for deposit in any Fund established under the Indenture shall be considered trust funds. All moneys on deposit with the Trustee shall, to the extent not insured, be secured in the manner required or permitted by State or other applicable law. Subject to the foregoing requirements as to security, if at any time the commercial department of the Trustee is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may deposit such moneys with any other depository which is authorized to receive and secure them as aforesaid and the deposits of which are insured by the Federal Deposit Insurance Corporation. All security for deposits shall be perfected in such manner as may be required or permitted under applicable law in order to grant to the Trustee a perfected security interest in such deposits.

Investment or Deposit of Funds. Moneys on deposit in the Funds established pursuant to the Indenture shall be invested and reinvested by the Trustee as follows:

(a) All moneys on deposit in Funds shall be invested in Eligible Investments (as defined in the Indenture) which shall mature, or be subject to repurchase, withdrawal without penalty, or redemption at the option of the holder, on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes of the Indenture.

(b) All purchases or sales of Eligible Investments shall be made at the direction of the Issuer (given in writing or orally, confirmed in writing), or in the absence of such direction, by the Trustee in Eligible Investments described in paragraphs (a), (b), (c), or (f) of the definition thereof, payable on demand.

(c)(1) Any securities or investments held by the Trustee may be transferred by the Trustee, if required in writing by the Issuer, from any of the Funds to any other Fund at the then current market

value thereof without having to be sold and purchased or repurchased; and (2) whenever any other transfer or payment is required to be made from any particular Fund, such transfer or payment shall be made from such combination of maturing principal, redemption premiums, liquidation proceeds, and withdrawals of principal as the Trustee deems appropriate for such purpose.

(d) The Trustee shall not be accountable for any depreciation in the value of Eligible Investments or any losses incurred upon any authorized disposition thereof.

(e) The Trustee is expressly authorized to invest moneys in two or more Funds in a single investment, provided that a portion of the investment allocable to each such Fund, and all payments received with respect to such allocable portion, shall be applied in accordance with the applicable provisions governing such Fund under the Indenture.

(f) Unless otherwise provided in an applicable supplemental indenture, investment income on amounts on deposit in the Reserve Fund shall be transferred to the Debt Service Fund to the extent that no deficiency will exist in the Debt Service Reserve Fund after such transfer. In all other situations, earnings from investment shall remain in the respective Fund where earned.

Valuation of Funds. The Trustee shall determine the value of the assets in each of the Funds established under the Indenture on, or on a date not earlier than three days prior to, (a) April 1 of each year and (b) the date of settlement for a Series of Additional Bonds. As soon as practicable after each such valuation date, the Trustee shall furnish to the Issuer a report of the status of each Fund as of such date. In computing the value of assets in any Fund, investments shall be valued at the fair market value thereof and shall include accrued but unpaid interest on each investment, and all investments (valued as aforesaid) and accrued interest thereon shall be deemed a part of such Funds.

Covenants and Agreements of the Issuer

In addition to any other covenants and agreements of the Issuer contained in the Indenture, the Issuer further covenants and agrees with the Bondholders and the Trustee as follows:

Payment of Principal and Interest. The Issuer will pay all principal of and interest on the Bonds or cause them to be paid, solely from the sources provided in the Indenture, on the dates, at the places, and in the manner provided in the Indenture.

Recordings and Filings. The Issuer will cause the Indenture, or any related instruments or documents relating to the assignment made by the Issuer under the Indenture to secure the Bonds, to be recorded and filed in the manner and in the places which may be required by law in order to preserve and protect fully the security of the holders of the Bonds and the rights of the Trustee thereunder.

Inspection. All books, instruments, and documents in the Issuer's possession relating to the Revenues shall be open to inspection at all times during the Issuer's regular business hours by any accountants or other agents of the Trustee or by the holders of 25 percent or more in principal amount of any Series of the Bonds then Outstanding, or a designated representative thereof.

Register. At reasonable times and under reasonable regulations established by the Bond Registrar, the Bond Register may be inspected and copied by or delivered to the Issuer, the Trustee, or the holders of 25 percent or more in principal amount of any Series of the Bonds then Outstanding, or a designated representative thereof.

Issuer Not to Adversely Affect Exclusion From Gross Income of Interest on the Bonds. The Issuer covenants that it will take, or require to be taken, all actions that may be required of it for the interest on the Bonds to be and remain excludable from the gross income for federal income tax purposes and will not take or authorize to be taken any actions that would adversely affect that exclusion under the provisions of the Code.

Events of Default and Remedies

Events of Default Defined. Each of the following is an “Event of Default” under the Indenture:

- (a) Default in the payment of any installment of interest on any Bond when it becomes due and payable;
- (b) Default in the payment of principal of any Bond when it becomes due and payable;

(c) Subject to the provisions of the Indenture regarding notice and opportunity to cure certain defaults (see the caption “Events of Default and Remedies—Notice and Opportunity to Cure Certain Defaults” herein), default in the performance or breach of any covenant, warranty, or representation of the Issuer contained in the Indenture (other than a default described in under (a) and (b) above); or

(d)(1) An Event of Bankruptcy of the Issuer; (2) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, or other similar official of the Issuer or of any substantial portion of its property; or (3) the ordering of the winding up or liquidation of its affairs and the continuance of any such involuntary filing, appointment, or order unstayed and in effect for a period of 60 consecutive days.

Remedies Upon Default

Acceleration. If an Event of Default occurs and is continuing, the Trustee may, and upon the written request to the Trustee by the holder or holders of not less than 25 percent in aggregate principal amount of the Bonds then Outstanding shall, subject to the requirements of the Indenture affording the Trustee the right to security and indemnification (see the caption “The Trustee—Certain Rights of the Trustee” herein), by written notice to the Issuer, declare the principal of the Bonds and all interest accrued thereon to the date of acceleration to be immediately due and payable.

Rescission of Acceleration. At any time after such a declaration of acceleration has been made and before the entry of a judgment or decree for payment of the money due, the Trustee may, or the holders of not less than 25 percent in aggregate principal amount of the Bonds then Outstanding may by written notice to the Issuer and the Trustee, and subject to the requirements of the Indenture affording the Trustee the right to security and indemnification (see the caption “The Trustee—Certain Rights of the Trustee” herein), direct the Trustee to, rescind and annul such declaration and its consequences if:

(1) there has been paid to or deposited with the Trustee by or for the account of the Issuer, or provision satisfactory to the Trustee in reliance upon an opinion of Counsel has been made for the payment, of a sum sufficient to pay: (A) all overdue installments of interest on the Bonds; (B) the principal of any Bonds which have become due other than by such declaration of acceleration and interest thereon; (C) to the extent lawful, interest upon overdue installments of interest; and (D) all sums paid or advanced by the Trustee under the Indenture, together with the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents, and Counsel prior to the date of notice of rescission; and

(2) all Events of Default, other than the nonpayment of principal of and interest on the Bonds which have occasioned such acceleration, have been cured or waived.

Subsequent Defaults. No such rescission and annulment shall affect any subsequent default or impair any consequent right.

Additional Remedies

Suits. The Trustee upon the occurrence of an Event of Default may, and upon the written request of the holders of not less than a majority in aggregate principal amount of the Bonds Outstanding (subject to the requirements of the Indenture affording the Trustee the right to security and indemnification (see the caption “The Trustee—Certain Rights of the Trustee” herein)), shall, proceed to protect and enforce its rights and the rights of the holders of the Bonds under the Indenture by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained in the Indenture or in aid of the execution of any power granted in the Indenture, or for the enforcement of any other appropriate legal or equitable

remedy, and the Trustee in reliance upon the advice of Counsel may deem most effective to protect and enforce any of the rights or interests of the holders of the Bonds under the Bonds or the Indenture.

Other Proceedings. Without limiting the generality of the foregoing, the Trustee shall at all times have the power to institute and maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Indenture and to protect its interests and the interests of the Bondholders in the Trust Estate and in the issues, profits, revenues, and other income arising therefrom, including the power to maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule, or order which may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule, or order would impair the Trust Estate or be prejudicial to the interests of the Bondholders or the Trustee.

Marshaling of Assets. Upon the occurrence of an Event of Default, all moneys in all Funds shall be available to be utilized by the Trustee in accordance with the provisions of the Indenture regarding events of default and remedies. The rights of the Trustee under the Indenture regarding compensation and expenses of the Trustee (see the caption “The Trustee—Compensation and Expenses of the Trustee” herein) shall be applicable. During the continuance of any such Event of Default, all provisions of the Indenture relating to the utilization of Funds shall be superseded by the provisions of the Indenture regarding events of default and remedies. Subsequent to the curing or waiver of any such Event of Default, the provisions of the Indenture relating to utilization of Funds shall be reinstated.

Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition, or other judicial proceeding under the Bankruptcy Code relating to the Issuer or any property of the Issuer, the Trustee (whether or not the principal of the Bonds shall then be due and payable by acceleration or otherwise, and whether or not the Trustee shall have made any demand upon the Issuer for the payment of overdue principal and interest) shall be entitled and empowered, by intervention in such proceeding or other means:

(1) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Bonds then Outstanding or for breach of the Indenture and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents, and Counsel) and of the holders allowed in such proceeding; and

(2) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator, or similar official in any such judicial proceeding is authorized by each holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents, and Counsel, and any other amounts due the Trustee under the Indenture regarding compensation and expenses of the Trustee (see the caption “The Trustee—Compensation and Expenses of the Trustee” herein).

No provision of the Indenture empowers the Trustee to authorize or consent to or accept or adopt on behalf of any holders of the Bonds any plan of reorganization, arrangement, adjustment, or composition affecting any of the Bonds or the rights of any holder thereof, or to authorize the Trustee to vote in respect of the claim of any holder in any proceeding described above.

Possession of Bonds Not Required. All rights under the Indenture and the Bonds may be enforced by the Trustee without possession of any Bonds or the production of them at trial or other proceedings. Any proceedings instituted by the Trustee may be brought in its name for itself as representative of the Bondholders without the necessity of joining Bondholders as parties, and any recovery resulting from such proceedings shall, subject to the provisions of the Indenture regarding priority of payment following an Event of Default (see the caption “Events of Default and Remedies—Priority of Payment Following Event of Default” herein), be for the ratable benefit of the Bondholders.

Notice and Opportunity to Cure Certain Defaults. No default described in (c) at the caption “Events of Default and Remedies—Events of Default Defined” herein shall constitute an Event of Default until written notice of such default shall have been given to the Issuer by the Trustee or by the holders of at least 25 percent in aggregate principal amount of the Bonds Outstanding, and the Issuer shall have had 30 days after receipt of such notice to correct such default or cause such default to be corrected, and shall have failed to do so. In the event, however, that the default be such that it cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and diligently pursued (as determined by the Trustee) until the default is corrected.

Priority of Payment Following Event of Default. If at any time after the occurrence of an Event of Default the moneys held by the Trustee under the Indenture shall not be sufficient to pay the principal of and interest on the Bonds as the same become due and payable, whether by their terms or as a result of acceleration as described at the caption “Events of Default and Remedies—Additional Remedies” herein, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of remedies in the Indenture or otherwise, shall, subject to the provisions of the Indenture described in the last two paragraphs of this caption, be applied by the Trustee as follows:

(1) first, to the payment of all amounts due the Trustee under the Indenture (see the caption “The Trustee—Compensation and Expenses of the Trustee” herein);

(2) second, to the payment of all installments of interest on the Bonds then due and payable in the order in which such installments became due and payable, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installments, without discrimination or preference; and

(3) third, to the payment of the unpaid principal amount of any of the Bonds which shall have become due and payable, in the order of due dates (other than Bonds called for redemption or contracted to be purchased for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest upon the principal amount of the Bonds from the respective dates upon which they shall have become due and payable, and, if the amount available shall not be sufficient to pay in full the principal of such Bonds due and payable on any particular due date, together with such interest, then to the payment first of such interest, ratably, according to the amount of principal due on such date, without any discrimination or preference.

If the principal of all Bonds shall have become due and payable, whether by their terms or by a declaration of acceleration, and subject to the provisions of the Indenture described in (1) above regarding payment to the Trustee, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference.

Whenever moneys are to be applied as described in this caption, the Trustee may, in its discretion, establish and maintain a reserve for future fees and expenses, and may apply moneys to be distributed at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix a date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates, and for which moneys are available, shall cease to accrue. The Trustee shall also select a Record Date for such payment date. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such Record Date and payment date, and shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Bondholders May Direct Proceedings. The owners of a majority in aggregate principal amount of the Bonds Outstanding shall, subject to the requirements of the Indenture affording the Trustee the right to security and indemnification (see the caption “The Trustee—Certain Rights of the Trustee” herein), have the right, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, provided that such direction shall not be in conflict with any rule of law or the Indenture and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unduly prejudicial to the rights of Bondholders not parties to such direction or would subject the Trustee to personal liability. Notwithstanding the foregoing, the Trustee shall have the right to select and retain Counsel of its choosing to represent it in any such proceedings. The Trustee may take any other action which is not inconsistent with any direction under the Indenture as described at this caption.

Limitations on Rights of Bondholders. No Bondholder shall have any right to pursue any other remedy under the Indenture unless: (1) an Event of Default shall have occurred and is continuing; (2) the owners of not less than 25 percent in aggregate principal amount of all Bonds then Outstanding have requested the Trustee, in writing, to exercise the powers described above or to pursue such remedy in its or their name or names; (3) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses, and liabilities reasonably anticipated to be incurred; (4) the Trustee has declined to comply with such request, or has failed to do so, within 60 days after its receipt of such written request and offer of indemnity; and (5) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the holders of a majority in aggregate principal amount of the Bonds Outstanding.

The provisions of the Indenture described above are conditions precedent to the exercise by any Bondholder of any remedy under the Indenture. The exercise of such rights is further subject to the provisions of the Indenture described at the captions “Events of Default and Remedies—Bondholders May Direct Proceedings,” “Unconditional Right of Bondholder to Receive Payment,” and “Delay or Omission Not Waiver” herein. No one or more Bondholders shall have any right in any manner whatever to enforce any right under the Indenture, except in the manner provided in the Indenture. All proceedings at law or in equity with respect to an Event of Default shall be instituted and maintained in the manner provided in the Indenture for the equal and ratable benefit of the Bondholders of all Bonds Outstanding.

Unconditional Right of Bondholder to Receive Payment. Notwithstanding any other provision of the Indenture, any Bondholder shall have the absolute and unconditional right to receive payment of principal of and interest on the Bonds on and after the due date thereof, and to institute suit for the enforcement of any such payment.

Restoration of Rights and Remedies. If the Trustee or any Bondholder has instituted any proceeding to enforce any right or remedy under the Indenture, and any such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or such Bondholder, then the Issuer, the Trustee, and the Bondholders shall, subject to any determination in such proceeding, be restored to their former positions under the Indenture, and all rights and remedies of the Trustee and the Bondholders shall continue as though no such proceeding had been instituted.

Rights and Remedies Cumulative. No right or remedy conferred upon or reserved to the Trustee in the Indenture is intended to be exclusive of any other right or remedy, but each such right or remedy shall, to the extent permitted by law, be cumulative of and in addition to every other right or remedy given under the Indenture or now or hereafter existing at law, in equity, or otherwise. The assertion or employment of any right or remedy under the Indenture shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Delay or Omission Not Waiver. No delay or omission by the Trustee or any Bondholder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of such Event of Default. Every right and remedy given by the provisions of the Indenture regarding events of default and remedies or by law to the Trustee or the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or the Bondholders, as the case may be.

Waiver of Defaults. The holders of a majority in aggregate principal amount of the Outstanding Bonds may, by written notice to the Trustee and subject to the requirements of the Indenture affording the Trustee the right to security and indemnification (see the caption “The Trustee—Certain Rights of the Trustee” herein), waive any existing default or Event of Default and its consequences, except a default in payment of principal of or interest on the Bonds. Upon any such waiver, the default or Event of Default shall be deemed cured and shall cease to exist for all purposes. No waiver of any default or Event of Default shall extend to or effect any subsequent default or Event of Default or shall impair any right or remedy consequent thereto.

Notwithstanding any provision of the Indenture, in no event shall any Person, other than all of the affected Bondholders, have the ability to waive any Event of Default under the Indenture if such event results or may result, in the opinion of Bond Counsel, in interest on any of the Bonds becoming includable in gross income for federal income tax purposes.

Notice of Events of Default. If an Event of Default occurs of which the Trustee has or is deemed to have notice under the provisions of the Indenture described in (h) at the caption “The Trustee—Certain Rights of the Trustee” herein, the Trustee shall give Immediate Notice thereof to the Issuer. Within 30 days thereafter (unless such Event of Default has been cured or waived), the Trustee shall give notice of such Event of Default to each holder of Bonds then Outstanding, provided, however, that except in the instance of a default in payment of principal of or interest on the Bonds, the Trustee may withhold such notice to Bondholders if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of such Bondholders, and provided, further, that notice to Bondholders of any Event of Default described in (c) at the caption “Events of Default and Remedies—Events of Default Defined” herein shall be subject to the provisions of the Indenture regarding notice and opportunity to cure certain defaults (see the caption “Events of Default and Remedies—Notice and Opportunity to Cure Certain Defaults” herein).

The Trustee

Duties and Liabilities of the Trustee. Prior to the occurrence of an Event of Default of which it has or is deemed to have notice under the Indenture, and after the curing of any Event of Default which may have occurred:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such certificates or opinions which by any provision of the Indenture are specifically required to be furnished to the Trustee, the Trustee is under a duty to examine same to determine whether or not they conform to the requirements of the Indenture.

In case an Event of Default of which the Trustee has or is deemed to have notice under the Indenture has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person’s own affairs.

No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) the provisions described in this paragraph shall not be construed to limit the effect of those described in the first paragraph above;

(2) the Trustee is not liable for any error of judgment made in good faith by a Responsible Officer, unless it is proven that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee is not liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Bondholders under any provision of the Indenture relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture; and

(4) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Whether or not expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of the Indenture described at this caption.

Certain Rights of the Trustee. Except as otherwise provided in the Indenture and described at the caption “The Trustee—Duties and Liabilities of the Trustee” herein:

(a) the Trustee may rely and is protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) whenever in the administration of the Indenture the Trustee deems it desirable that a matter be proved or established prior to taking, suffering, or omitting any action under the Indenture, the Trustee (unless other evidence thereof is specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer’s Certificate;

(c) the Trustee may consult with Counsel and the written advice of such Counsel or an opinion of Counsel shall be full and complete authorization and protection for any action taken, suffered, or omitted by it in good faith and in accordance with such advice or opinion;

(d) the Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Bondholders unless such holders have offered to the Trustee security or indemnity satisfactory to the Trustee as to its terms, coverage, duration, amount, and otherwise with respect to the costs, expenses, and liabilities which may be incurred by it in compliance with such request or direction, and the provision of such indemnity shall be mandatory for any remedy taken upon direction of the holders of 25 percent in aggregate principal amount of the Bonds;

(e) the Trustee is not required to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture, or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records, and premises of the Issuer, in person or by agent or attorney;

(f) the Trustee may execute any of its trusts or powers or perform any duties under the Indenture either directly or by or through agents or attorneys, and may in all cases pay, subject to reimbursement as provided in the Indenture and described at “The Trustee—Compensation and Expenses of the Trustee” herein, such reasonable compensation as it deems proper to all such agents and attorneys reasonably employed or retained by it, and the Trustee shall not be responsible for any misconduct or negligence of any agent or attorney appointed with due care by it;

(g) the Trustee is not required to take notice or deemed to have notice of any default or Event of Default under the Indenture, except default in the payment of principal of or interest on any Bond, unless a Responsible Officer of the Trustee has actual notice thereof or has received notice in writing of such default or Event of Default from the Issuer or the holders of at least 25 percent in aggregate principal amount of the

Outstanding Bonds, and in the absence of any such notice, the Trustee may conclusively assume that no default or Event of Default exists;

(h) the Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under the Indenture;

(i) in the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of holders of Bonds, each representing less than a majority in aggregate principal amount of the Bonds Outstanding, pursuant to the provisions of the Indenture, the Trustee, in its sole discretion, may determine what action, if any, shall be taken;

(j) the Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under the Indenture shall extend to the Trustee's officers, directors, agents, attorneys, and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the discharge of the Indenture, and final payment of the Bonds;

(k) The permissive right of the Trustee to take the actions permitted by the Indenture shall not be construed as an obligation or duty to do so; and

(l) except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

Trustee Not Responsible for Recitals. The recitals contained in the Indenture and in the Bonds (other than the certificate of authentication on the Bonds) are statements of the Issuer and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value, condition, or sufficiency of any assets pledged or assigned as security for the Bonds, the right, title, or interest of the Issuer therein, the security provided thereby or by the Indenture, or the tax-exempt status of the Bonds. The Trustee is not accountable for the use or application by the Issuer of any of the Bonds or the proceeds of the Bonds, or for the use or application of any moneys paid over by the Trustee in accordance with any provision of the Indenture.

Trustee May Own Bonds. The Trustee, in its commercial banking or in any other capacity, may in good faith buy, sell, own, hold, and deal in any of the Bonds and may join in any action which any Bondholder may be entitled to take with like effect as if it were not Trustee. The Trustee, in its commercial banking or in any other capacity, may also engage in or be interested in any financial or other transaction with the Issuer and may act as depository, trustee, or agent for any committee of Bondholders secured by the Indenture or other obligations of the Issuer as freely as if it were not Trustee. These provisions extend to affiliates of the Trustee.

Compensation and Expenses of the Trustee. The Issuer covenants and agrees:

(a) to pay to the Trustee compensation for all services rendered by it under the Indenture and under the other agreements relating to the Bonds to which the Trustee is a party in accordance with terms agreed to from time to time and, subsequent to default, in accordance with the Trustee's then-current fee schedule for default administration (the entirety of which compensation shall not be limited by any provision of law regarding compensation of a trustee of an express trust);

(b) to reimburse the Trustee upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Trustee in accordance with any provision of the Indenture, any other agreement relating to the Bonds to which it is a party, or in complying with any request by the Issuer or any Rating Service with respect to the Bonds, including the reasonable compensation, expenses, and disbursements of its agents and Counsel, except any such expense, disbursement, or advance attributable to the Trustee's negligence or bad faith; and

(c) to indemnify, defend, and hold the Trustee harmless from and against any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the office of Trustee under the Indenture, including the costs of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Indenture or thereunder.

In the event the Trustee incurs expenses or renders services in any proceedings under the Bankruptcy Code relating to the Issuer, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under the Bankruptcy Code.

As security for the performance of the obligations of the Issuer under the Indenture and described above, the Trustee shall have a lien, which it may exercise through a right of setoff, prior to the Bonds upon all property or funds held or collected by the Trustee pursuant to the Indenture for the payment of principal of and interest on the Bonds. The obligations of the Issuer to make the payments described above shall survive discharge of the Indenture and payment in full of the Bonds.

Qualifications of Trustee. There shall at all times be a trustee under the Indenture which shall be a corporation or banking association organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$25,000,000, and subject to supervision or examination by federal or state banking authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then the combined capital and surplus of such corporation or banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible as described in this caption, it shall resign promptly in the manner and with the effect specified in the Indenture.

Resignation or Removal of Trustee; Appointment of Successor Trustee. No resignation or removal of the Trustee and no appointment of a successor Trustee shall become effective until the acceptance of appointment by the successor Trustee under the Indenture and described at the caption “The Trustee—Acceptance of Appointment by Successor Trustee” herein.

The Trustee may resign at any time by giving written notice to the Issuer. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor Trustee by an instrument in writing. If an instrument of acceptance has not been delivered to the resigning Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee or any holder of a Bond then Outstanding may petition a court of competent jurisdiction for the appointment of a successor Trustee.

Prior to the occurrence and continuance of an Event of Default under the Indenture, or after the curing or waiver of any such Event of Default, the Issuer or the holders of a majority in aggregate principal amount of the Outstanding Bonds may remove the Trustee and shall appoint a successor Trustee. In the event there shall have occurred and be continuing an Event of Default under the Indenture, the holders of a majority in aggregate principal amount of the Outstanding Bonds may remove the Trustee and shall appoint a successor Trustee. In each instance such removal and appointment shall be accomplished by an instrument or concurrent instruments in writing signed by the Issuer or such holders, as the case may be, and delivered to the Trustee, the Issuer, and holders of the Outstanding Bonds.

If at any time: (1) the Trustee shall cease to be eligible and qualified under the Indenture (see the caption “The Trustee—Qualifications of Trustee” herein) and shall fail or refuse to resign after written request to do so by the Issuer or the holder of any Bond or (2) the Trustee shall become incapable of acting or shall be adjudged insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take charge or control of the Trustee, its property, or affairs for the purpose of rehabilitation, conservation, or liquidation, then in either such case (A) the Issuer may remove the Trustee and appoint a successor Trustee in accordance with the provisions of the Indenture described above; or (B) any holder of a Bond then

Outstanding may, on behalf of the holders of all Outstanding Bonds, petition a court of competent jurisdiction for removal of the Trustee and appointment of a successor Trustee.

The Issuer shall give written notice of each resignation or removal of the Trustee and each appointment of a successor Trustee to each holder of Bonds then Outstanding as listed in the Bond Register. Each such notice shall include the name and address of the corporate trust office of the successor Trustee.

Acceptance of Appointment by Successor Trustee. Every successor Trustee appointed under the Indenture shall execute, acknowledge, and deliver to the Issuer and the predecessor Trustee an instrument accepting its appointment. The resignation or removal of the retiring Trustee shall thereupon become effective, and the successor Trustee shall, without further act, deed, or conveyance, become vested with all the estates, properties, rights, powers, and duties of the predecessor Trustee. Upon the request of the Issuer or the successor Trustee, the predecessor Trustee shall execute and deliver an instrument transferring to the successor Trustee all the estates, properties, rights, powers, and duties of the predecessor Trustee under the Indenture, and shall duly assign, transfer, deliver, and pay over to the successor Trustee all moneys and other property then held under the Indenture, subject, however, to the lien, if any, provided for in the Indenture and described at the caption “The Trustee—Compensation and Expenses of the Trustee” herein. The successor Trustee shall promptly give written notice of its appointment to the holders of all Bonds Outstanding in the manner prescribed in the Indenture, unless such notice has previously been given.

No successor Trustee shall accept appointment as provided in the Indenture and described at this caption unless, as of the date of such acceptance, it is eligible and qualified under the provisions of the Indenture. See the caption “The Trustee—Qualifications of Trustee” herein.

Merger or Consolidation of Trustee. Any corporation or association into which the Trustee is merged or with which it is consolidated, resulting from any merger or consolidation to which the Trustee is a party, or succeeding to all or substantially all of the corporate trust business of the Trustee shall be the successor Trustee without the execution or filing of any document or the taking of any further action. Any such successor shall nevertheless be eligible and qualified under the provisions of the Indenture. See the caption “The Trustee—Qualifications of Trustee” herein.

Defeasance

Defeasance. If (a) the principal of any Series of Bonds and the interest due or to become due thereon shall be paid, or is caused to be paid, or is provided for under the provisions of the Indenture regarding deposit of funds for payment of Bonds (see “Deposit of Funds for Payment of Bonds” below), at the times and in the manner to which reference is made in the Bonds, according to the true intent and meaning thereof, or the outstanding Bonds shall have been paid and discharged in accordance with the provisions of the Indenture regarding defeasance, and (b) all of the covenants, agreements, obligations, terms, and conditions of the Issuer under the Indenture shall have been kept, performed, and observed and there shall have been paid to the Trustee, the Bond Registrar, and the Paying Agents all sums of money due or to become due to them in accordance with the terms and provisions of the Indenture, then the right, title, and interest of the Trustee in the Trust Estate shall thereupon cease and the Trustee, on request of the Issuer and at the expense of the Issuer, shall release the Indenture and the Trust Estate and shall execute such documents to evidence such release as may be reasonably required by the Issuer and shall turn over to the Issuer, or to such other Person as may be entitled to receive the same, all balances remaining in any Funds under the Indenture except for amounts required to pay such Bonds or held pursuant to the provisions of the Indenture regarding unclaimed funds. See the caption “Funds and Accounts—Disposition of Unclaimed Funds” herein.

Deposit of Funds for Payment of Bonds. If the Issuer deposits with the Trustee moneys or Defeasance Obligations which, together with the earnings thereon, are sufficient to pay the principal of any particular Bond or Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date or Redemption Date, and pays or makes provision for payment of all fees, costs, and expenses of the Trustee due or to become due with respect to such Bonds, all liability of the Issuer with respect to such Bond or Bonds shall cease, such Bond or Bonds shall be deemed

not to be Outstanding under the Indenture, the holder or holders of such Bond or Bonds shall be restricted exclusively to the moneys or Defeasance Obligations so deposited, together with the earnings thereon, for any claim of whatsoever nature with respect to such Bond or Bonds, and the Trustee shall hold such moneys, Defeasance Obligations, and earnings in trust for such holder or holders. In determining the sufficiency of the moneys and Defeasance Obligations deposited as described at this caption, together with the earnings thereon, the Trustee shall be entitled to receive and may rely upon: (a) a verification report an Accountant; and (b) an opinion of Bond Counsel to the effect that (1) all conditions set forth in the provisions of the Indenture regarding defeasance have been satisfied and (2) that defeasance of the Bonds will not affect the tax-exempt status of the Bonds. Upon such defeasance all rights of the Issuer, including its right to provide for optional redemption of Bonds on dates other than planned pursuant to such defeasance, shall cease unless specifically retained by filing a written notification thereof with the Trustee.

Notice of Defeasance. In case any of the Bonds, for the payment of which moneys or Defeasance Obligations have been deposited with the Trustee pursuant to the Indenture regarding deposit of funds for payment of Bonds (see “Deposit of Funds for Payment of Bonds” above), are to be redeemed on any date prior to their maturity, the Issuer shall give to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on the redemption date for such Bonds as provided in the Indenture. See the caption “The Series 2015 Bonds—Notice of Redemption” in the Official Statement.

In addition to the foregoing notice, in the event such Bonds to be redeemed are not by their terms subject to redemption within the next succeeding 65 days, the Trustee shall give further notice that the deposit required by the provisions of the Indenture regarding deposit of funds for payment of Bonds has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the provisions of the Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of said Bonds; such further notice shall be given promptly following the making of the deposit required by the Indenture. No defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of the deposit.

If the Issuer has retained any rights to provide for optional redemption of Bonds on dates other than planned pursuant to a defeasance pursuant to the provisions of the Indenture described at the “Deposit of Funds for Payment of Bonds” above, notice thereof shall be sent to Bondholders of such Bonds as soon as practicable and not later than any notice required by the Indenture and described above.

Supplemental Indentures

Supplemental Indentures Without Bondholders’ Consent. The Issuer and the Trustee may from time to time and at any time enter into supplemental indentures, without the consent of or notice to any Bondholder, to effect any one or more of the following:

- (a) cure any ambiguity, defect, or omission, or correct or supplement any provision in the Indenture or in any supplemental indenture;
- (b) grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority, or security that may lawfully be granted to or conferred upon the Bondholders or the Trustee which are not contrary to or inconsistent with the Indenture as theretofore in effect or to subject to the pledge and lien of the Indenture additional revenues, properties, or collateral;
- (c) add to the covenants and agreements of the Issuer other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power reserved to or conferred upon the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (d) permit the appointment of a co-trustee under the Indenture;
- (e) modify, alter, supplement, or amend the Indenture in such manner as shall permit the qualification of the Indenture, if required, under the Trust Indenture Act of 1939 or the Securities Act of 1933, as from time to time amended, or any similar federal statute hereafter in effect;

(f) make any other change in the Indenture which is determined by the Trustee to be not materially adverse to the interests of the Bondholders and which does not involve a change described in the Indenture regarding supplemental indentures requiring Bondholders' consent (see the "Supplemental Indentures Requiring Bondholders' Consent" below); or

(g) if a Series of Bonds are all Book Entry Bonds, amend, modify, alter, or replace the Letter of Representations or other provisions relating to Book Entry Bonds.

The Trustee shall not be obligated to enter into any such supplemental indenture which adversely affects the Trustee's own rights, duties, or immunities under the Indenture.

Supplemental Indentures Requiring Bondholders' Consent. The Issuer and the Trustee, at any time and from time to time, may execute and deliver a supplemental indenture for the purpose of making any modification or amendment to the Indenture, but only with the written consent, given as provided in the Indenture and described at "Consents of Bondholders and Opinions" below, of the holders of at least two-thirds in aggregate principal amount of the Bonds Outstanding at the time such consent is given, and in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds so affected remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds. Notwithstanding the foregoing, no modification or amendment contained in any such supplemental indenture shall permit any of the following, without the consent of each Bondholder whose rights are affected thereby: (a) a change in the terms of stated maturity or redemption of any Bond or of any installment of interest thereon; (b) a reduction in the principal amount of any Bond or in the rate of interest thereon or a change in the coin or currency in which such Bond is payable; (c) the creation of a lien on or a pledge of any part of the Trust Estate or the money or assets pledged under the Indenture, or any part thereof; (d) the granting of a preference or priority of any Bond or Bonds over any other Bond or Bonds; (e) a reduction in the aggregate principal amount of Bonds of which the consent of the Bondholders is required to effect any such modification or amendment; or (f) a change in the provisions of the provisions of the Indenture regarding waiver of defaults (see the caption "Events of Default and Remedies—Waiver of Defaults" herein). Notwithstanding the foregoing, the holder of any Bond may extend the time for payment of the principal of or interest on such Bond; provided, however, that upon the occurrence of an Event of Default, funds available under the Indenture for the payment of the principal of and interest on the Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full.

Consents of Bondholders and Opinions. Each supplemental indenture executed and delivered pursuant to the provisions of the Indenture regarding supplemental indentures requiring Bondholders' consent (see "Supplemental Indentures Requiring Bondholders' Consent" above) shall take effect only when and as provided in the Indenture and described at this caption. A copy of such supplemental indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be sent by the Trustee to Bondholders by first class mail, postage prepaid, provided that a failure to mail such request shall not affect the validity of the supplemental indenture when consented to as provided in the Indenture. Such supplemental indenture shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of Bondholders of the percentage of Bonds specified in the Indenture regarding supplemental indentures requiring Bondholders' consent (see "Supplemental Indentures Requiring Bondholders' Consent" above) given as provided in the Indenture and described at the caption "Miscellaneous Provisions—Consent of Holders" herein, and (b) the opinion of Counsel described in the Indenture and described at the caption "Reliance Upon Counsel's Opinion with Respect to Supplemental Indentures" herein. Any such consent shall be binding upon the Bondholder giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor or in lieu thereof (whether or not such subsequent Bondholder has notice thereof), unless such consent is revoked in writing

by the Bondholder giving such consent or a subsequent holder of such Bonds by filing such revocation with the Trustee prior to the date the Trustee receives the material required in the Indenture and described in (a) and (b) at this caption.

Exclusion of Certain Bonds. Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds regarding supplemental indentures, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Indenture. At the time of any consent or other action taken under the provisions of the Indenture regarding supplemental indentures, the Issuer shall furnish the Trustee an Officer's Certificate of the Issuer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as provided in the provisions of the Indenture regarding supplemental indentures and amendments may, and if the Issuer so determines shall, bear a notation by endorsement or otherwise in form approved by the Trustee as to such action, and in that case upon demand of the holder of any Outstanding Bond at such effective date and presentation of such Bond for the purpose at the Principal Office of the Trustee, or upon any transfer of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer by the Trustee as to any such action. If the Issuer shall so determine, new Bonds so modified as in the opinion of the Trustee and the Issuer to conform to such action shall be prepared, authenticated, and delivered, and upon demand of the holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder for Bonds then Outstanding, upon surrender of such Bonds for Bonds of an equal aggregate principal amount and of the same Series, maturity, and interest rate, in any Authorized Denomination.

Reliance Upon Counsel's Opinion with Respect to Supplemental Indentures. Subject to the provisions of the Indenture described at the caption "The Trustee—Duties and Liabilities of the Trustee" herein, the Trustee in executing or accepting the additional trusts permitted by the provisions of the Indenture regarding supplemental indentures and amendments or the modifications thereby of the trusts created by the Indenture may rely, and shall be fully protected in relying on, an opinion of Counsel acceptable to it stating that: (a) the execution of such supplemental indenture is authorized or permitted by the Indenture and (b) all conditions precedent to the execution and delivery of such supplemental indenture have been complied with. The Trustee may accept and rely upon such opinion of Counsel as conclusive evidence that any supplemental indenture complies with the requirements of the Indenture.

Effect of Supplemental Indentures. Upon the execution of any supplemental indenture, the Indenture shall be modified in accordance therewith; such supplemental indenture shall form a part of the Indenture for all purposes; and every holder of any Bond theretofore or thereafter authenticated and delivered under the Indenture shall be bound thereby.

Consent of Holders

Any consent, request, direction, approval, objection, or other instrument required to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and must be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of execution of any such consent, request, direction, approval, objection, or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely:

- (a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged the execution thereof, or by an affidavit of any witness to such execution.

(b) The Issuer may establish a Record Date for the purpose of identifying Bondholders entitled to issue any such consent, request, direction, approval, or instrument.

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Appendix C

Form of Continuing Disclosure Agreement

This Continuing Disclosure Agreement dated as of August 1, 2015 (the “Agreement”) is executed and delivered by the City of Texarkana, Arkansas (the “Issuer”) and Bank of the Ozarks, as Trustee (the “Trustee”), in connection with the issuance by the Issuer of its \$3,770,000 Franchise Fee Secured Refunding Revenue Bonds, Series 2015 (the “Series 2015 Bonds”). The Series 2015 Bonds are being issued pursuant to a Trust Indenture, dated as of August 1, 2015 (the “Indenture”), between the Issuer and Bank of the Ozarks, as trustee (the “Trustee”). Pursuant to Rule 15c2-12(b)(5) (17 C.F.R. § 240.15c2-12) (the “Rule”) adopted by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended (the “1934 Act”), the Issuer and the Trustee covenant and agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the first paragraph of this Agreement and in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Financial Information” means the financial information (which shall be prepared in accordance with GAAP for governmental units as prescribed by GASB which are applicable to information of the type being provided) with respect to the Issuer, provided at least annually, consisting of the financial and operating information contained in the Official Statement under the caption “Revenues—Historical Revenues,” “—Sources of Revenues,” and “—Estimated Debt Service Coverage” with respect to (a) all Revenues and (b) a listing of outstanding bonded indebtedness secured by Revenues, which Annual Financial Information may, but is not required to, include Audited Financial Statements. Any or all of the items listed above may be included in the Annual Financial Information by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been previously provided to the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify in the Annual Financial Information each such other document so included by reference.

“Audited Financial Statements” means the Issuer’s annual financial statements, prepared in accordance with GAAP for governmental units as prescribed by GASB, which financial statements shall have been audited by a firm of independent certified public accountants or such auditor as shall be required or permitted by the State of Arkansas.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2015 Bonds (including persons holding Series 2015 Bonds through nominees, depositories, or other intermediaries) or is treated as the owner of any Series 2015 Bonds for federal income tax purposes.

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

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

“Fiscal Year” means any period of 12 consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes. At the date of this Agreement the Fiscal Year of the Issuer means the calendar year.

“GAAP” means generally accepted accounting principles.

“GASB” means the Governmental Accounting Standards Board.

“Listed Event” means any of the following events with respect to the Series 2015 Bonds:

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

“Listed Event Notice” means notice of a Listed Event.

“MSRB” means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the 1934 Act, or any successor thereto for purposes of the Rule.

“Obligated Person” means the Issuer.

“Official Statement” means the Issuer’s Official Statement, dated August __, 2015, relating to the Series 2015 Bonds, as the same may be amended or supplemented.

“Participating Underwriters” means the original underwriters of the Series 2015 Bonds required to comply with the Rule in connection with offering of the Series 2015 Bonds.

“Report Date” means 180 days after the end of each of the Issuer’s Fiscal Year.

“State” means the State of Arkansas.

Section 2. Purpose of this Agreement; Obligated Persons; Agreement to Constitute Contract.

(a) This Agreement is being executed and delivered by the Issuer and the Trustee for the benefit of the Beneficial Owners of the Series 2015 Bonds and in order to assist the Participating Underwriters in complying with, and constitutes the written undertaking for the Beneficial Owners required by, the Rule.

(b) The Issuer is an “obligated person” within the meaning of the Rule (and is the only “obligated person” within the meaning of the Rule for whom financial information or operating data is presented in the Official Statement) , and agrees to provide Annual Financial Information, Audited Financial Statements, if any, and Listed Event Notices as provided in this Agreement.

(c) In consideration of the purchase and acceptance of any and all of the Series 2015 Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Agreement shall be deemed to be and shall constitute a contract among the Issuer, the Trustee, and the Beneficial Owners from time to time of the Series 2015 Bonds; and the covenants and agreements set forth in this

Agreement to be performed on behalf of the Issuer and the Trustee shall be for the benefit of the Beneficial Owners of any and all of the Series 2015 Bonds.

Section 3. Provision of Annual Financial Information.

(a) While any of the Series 2015 Bonds are Outstanding, the Issuer shall, or shall cause the Dissemination Agent to, provide the Annual Financial Information on or before each Report Date, commencing with the Fiscal Year ended June 30, 2015, to the MSRB through EMMA or any similar system acceptable to the SEC. The Annual Financial Information shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Not later than 15 days prior to said date, the Issuer shall provide the Annual Financial Information to the Dissemination Agent (unless the Issuer is serving as Dissemination Agent). The Issuer shall include with each such submission of Annual Financial Information to the Dissemination Agent (unless the Issuer is serving as Dissemination Agent) a written representation to the effect that the Annual Financial Information is the Annual Financial Information required to be provided by it pursuant to this Agreement and that it complies with the applicable requirements of this Agreement. In each case, the Annual Financial Information may be submitted as a single document or as a set of documents, and all or any part of such Annual Financial Information may be provided by specific cross-reference to other documents previously provided to the MSRB, or filed with the SEC and, if such a document is a final official statement within the meaning of the Rule, available from the MSRB, as provided in the definition of Annual Financial Information. Audited Financial Statements may, but are not required to be, provided as a part of the Annual Financial Information.

(b) If not provided as part of the Annual Financial Information, the Issuer shall, or shall cause the Dissemination Agent to, provide the Audited Financial Statements when and if available while any Series 2015 Bonds are Outstanding to the MSRB through EMMA.

(c) If the Issuer is not serving as Dissemination Agent, and if by 15 days prior to a Report Date the Dissemination Agent has not received a copy of the Annual Financial Information, the Dissemination Agent shall contact the Issuer to notify the Issuer that it has not received the Annual Financial Information and remind each party that such information must be provided to the MSRB by the Report Date. For the purposes of determining whether information received from the Issuer is Annual Financial Information, the Dissemination Agent shall be entitled conclusively to rely on the Issuer's written representation made pursuant to (a).

(d) The Dissemination Agent shall file a report to be maintained by the Issuer certifying that the Annual Financial Information has been provided pursuant to this Agreement and stating the date it was provided.

(e) If the Issuer is not serving as Dissemination Agent, and if the Dissemination Agent does not receive the Annual Financial Information, the Dissemination Agent shall, without further direction or instruction from the Issuer, provide in a timely manner to the MSRB notice of any failure by the Issuer while any Series 2015 Bonds are Outstanding to provide to the Dissemination Agent Annual Financial Information on or before the Report Date.

Section 4. Reporting of Listed Events.

(a) If a Listed Event occurs while any Series 2015 Bonds are Outstanding, the Issuer shall provide, or shall cause to be provided by the Trustee, a Listed Event Notice, in a timely manner not in excess of 10 Business Days after the occurrence of such Listed Event, to the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.msrb.emma.org> or any other similar system that is acceptable to the SEC. Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB

(b) Notwithstanding the foregoing, notice of Listed Events described in subsections (viii) and (ix) of the definition of "Listed Event" need not be given any earlier than the notice (if any) of the underlying event is given to the Bondholders of affected Series 2015 Bonds pursuant to the Indenture.

Section 5. Termination of Reporting Obligation. The Issuer's obligations under this Agreement shall automatically terminate once the Series 2015 Bonds are no longer Outstanding. Any provision of this Agreement shall be null and void in the event the Issuer delivers an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require the provisions of such undertaking or portion thereof are invalid, have been repealed retroactively, or otherwise do not apply to the Series 2015 Bonds; provided that the Issuer shall have provided notice of such delivery and the cancellation of such undertaking or provision thereof to the MSRB.

Section 6. Dissemination Agent.

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

(b) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer and the Dissemination Agent shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived by the parties hereto, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, provided that the Issuer shall have provided notice of such delivery and of the amendment to the MSRB. Any such amendment shall satisfy, unless otherwise permitted by the Rule, the following conditions:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal reimbursements, change in law, or change in the identity, nature, or status of the obligated person or type of business conducted;

(b) This Agreement, as amended, 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; and

(c) The amendment does not materially impair the interests of the Beneficial Owners, as determined by a nationally recognized bond counsel, or by approving vote of Bondholders pursuant to the terms of the Indenture at the time of the amendment.

The initial Annual Financial Information after the amendment shall explain, in narrative form, the reasons for the amendment and the effect of the change, if any, in the type of operating data or financial information being provided.

Section 8. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Annual Financial Information or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of a Listed Event.

Section 9. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Agreement, any Beneficial Owner may seek mandate or specific performance by court order

CITY OF TEXARKANA, ARKANSAS, Issuer

By: _____
Ruth Penney Bell, Mayor

BANK OF THE OZARKS, Trustee

By: _____
[Name/Title]

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2015 Bonds. The Series 2015 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 bond certificate will be issued for each maturity of the Series 2015 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2015 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to documents relating to the Series 2015 Bonds. For example, Beneficial Owners of Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notice be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds within a maturity are being 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 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Series 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Trustee or Paying Agent, 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 nor its nominee, Trustee, Issuer, or Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer, Trustee, or Paying Agent, 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.

DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to Issuer or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2015 Bond certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2015 Bond certificates will be printed and delivered to DTC.

The information in this Appendix D concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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