

## **NEW ISSUE**

*In the opinion of Bond Counsel to the Issuer, based on existing statutes, regulations, rulings and court decisions, the interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes, subject to the condition that the City comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Series 2008 Bonds, and the Series 2008 Bonds and interest thereon are exempt from all Arkansas state, county and municipal taxes. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code. Bond Counsel expresses no other opinions with regard to federal tax consequences arising from ownership of the Bonds. See "TAX EXEMPTION" herein.*

### **\$835,000 CITY OF ELKINS, ARKANSAS SALES AND USE TAX IMPROVEMENT BONDS SERIES 2008**

**Dated: December 1, 2008**

**Due: December 1, as shown below**

Principal of the Series 2008 Bonds is payable at the corporate trust office of Simmons First Trust Company, N.A., Pine Bluff, Arkansas, as trustee and paying agent (the "Trustee"). Interest is payable on June 1, 2009, and semiannually thereafter on June 1 and December 1 of each year. All such interest payments shall be payable to the person in whose name such Bonds are registered on the bond registration books maintained by the Trustee. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants, as more fully described herein.

Principal of and interest on the Series 2008 Bonds are payable from a pledge of receipts derived by the City of Elkins, Arkansas (the "City") from a one percent (1%) sales and use tax levied by the City and approved by the voters of the City at a special election held September 9, 2008.

The Series 2008 Bonds are being issued to finance the costs of making improvements to the water system of the City.

The Series 2008 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 2008 Bonds will be made so long as Cede & Co. is the registered owner of the Bonds. Individual purchasers of the Bonds will be made only in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Individual purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of bond certificates. See "THE BONDS" and "BOOK-ENTRY ONLY SYSTEM" herein.

The Series 2008 Bonds are subject to optional and extraordinary redemption as provided in the section herein entitled "Redemption Provisions."

The Series 2008 Bonds mature and bear interest as follows:

<u>MATURITY SCHEDULE</u>			
<u>December 1</u> <u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Price</u>
2009	\$130,000	3.00%	100%
2010	135,000	3.25%	100%
2011	135,000	3.50%	100%
2012	140,000	3.75%	100%
2013	145,000	4.00%	100%
2014	150,000	4.10%	100%

*The Series 2008 Bonds are offered, subject to prior sale, when, as and if issued by the City and accepted by the Underwriter, subject to the approval of legality by Williams & Anderson PLC, Little Rock, Arkansas, Bond Counsel to the Issuer, and the Wright & Baker, P.A., Fayetteville, Arkansas, attorneys for the City of Elkins, and subject to certain other conditions. The Series 2008 Bonds will be available for delivery on or about December 23, 2008.*

Dated: December 12, 2008

**Stephens Inc.**  
Investment Bankers

No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or to make any representations, other than 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 any of the foregoing. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Series 2008 Bonds by any persons in any state 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 made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof.

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**CITY OF ELKINS, ARKANSAS**

Mayor	Jack Ladyman
City Council	Bonnie Wilcox Bruce Ledford Jeremy Stevens Bobby McGarragh Bob Cox Bill Epperson
Recorder/Treasurer	Constance Tabor
City Attorney	Daniel Wright
Management Advisor	Davis Business Planning, LLC

## SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Series 2008 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof. No person is authorized to detach this Summary Statement or otherwise to use it without the entire Official Statement.

The City. The City of Elkins, Arkansas (the "City") is a city of the second class organized and existing under the laws of the State of Arkansas (the "State"). Pursuant to Amendment No. 62 to the Constitution of the State as implemented by Arkansas Code Annotated §§26-75-301 *et seq.* (the "Authorizing Legislation"), the City is authorized to issue sales and use tax bonds for the purpose of making improvements to the water system of the City.

The Series 2008 Bonds. A one cent Sales and Use Tax was approved by a majority of the voters at the September 9, 2008 special election, after the tax was levied by the City pursuant to Ordinance No. 07-07-2008B, which was passed and approved on July 7, 2008. The voters approved capital improvement bonds in the maximum principal amount of \$6,000,000 for the purpose of financing betterments and improvements to the water system of the City (the "Project"). Now, the City shall issue its \$835,000 principal amount of Sales and Use Tax Improvement Bonds, Series 2008, initially dated December 1, 2008, and authorized by Ordinance No. 11-06-2008A adopted by the City on November 6, 2008 (the "2008 Authorizing Ordinance"). Simmons First Trust Company, N.A., Pine Bluff, Arkansas has been selected as trustee and paying agent for the Series 2008 Bonds.

The City has allocated the aggregate principal amount of \$835,000 for the Project. The balance of the voter approved bonds (\$5,165,000) may be issued at a later date. See THE AUTHORIZING ORDINANCE, Parity Bonds.

Use of Proceeds. Proceeds from the sale of the Series 2008 Bonds will be used to make betterments and improvements to the water system of the City, fund a debt service reserve account, and to pay the costs of issuance of the Series 2008 Bonds.

Security for the Series 2008 Bonds. The Series 2008 Bonds are not general obligations of the City, but are special obligations payable solely from a pledge of amounts received by the City from the one percent (1%) sales and use tax (the "Tax") levied by the City pursuant to Ordinance No. 07-07-2008B of the City passed and approved on July 7, 2008, and the Authorizing Ordinance. The Tax was approved by a majority of the voters of the City at a special election held September 9, 2008. There has also been established a Debt Service Reserve Account for the benefit of the Owners of the Series 2008 Bonds. See SECURITY FOR THE SERIES 2008 BONDS.

Redemption of Bonds. The Bonds are subject to optional and extraordinary redemption prior to maturity, at the time and redemption prices and upon the terms set forth herein.

# OFFICIAL STATEMENT

**\$835,000**

## CITY OF ELKINS, ARKANSAS

### SALES AND USE TAX IMPROVEMENT BONDS

#### SERIES 2008

#### INTRODUCTION

This Official Statement of the City of Elkins, Arkansas (the "City"), including the cover page hereof, is furnished in connection with the offering by the City of its \$835,000 principal amount of City of Elkins, Arkansas Sales and Use Tax Improvement Bonds, Series 2008 (the "Series 2008 Bonds").

The Series 2008 Bonds are being issued for the purpose of financing the cost of making betterments and improvements to the water system of the City (the "Project"), funding a debt service reserve account, and paying expenses incidental thereto and to the issuance of the Series 2008 Bonds.

The Series 2008 Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Arkansas (the "State") including particularly Amendment No. 62 to the Constitution of the State of Arkansas ("Amendment 62"), Arkansas Code Annotated §§ 26-75-301 *et seq.* (the "Authorizing Legislation") and pursuant to Ordinance No. 11-06-2008A duly adopted and approved by the City Council of the City on November 6, 2008 (the "2008 Authorizing Ordinance"). Simmons First Trust Company, N.A., Pine Bluff, Arkansas, has been appointed as trustee and paying agent for the Series 2008 Bonds (the "Trustee").

The Bonds are secured by a pledge of collections from the 1% sales and use tax (the "Tax") levied by the City under the authority of the Authorizing Legislation and Ordinance No. 07-07-2008B of the City adopted and approved July 7, 2008 (the "Tax Ordinance"). The Tax was approved by a majority of the voters of the City at a special election held September 9, 2008. The monthly Tax receipts will be deposited into the Bond Fund created by the Authorizing Ordinance for the purpose of paying the principal of and interest on the Bonds when due, and paying the Trustee's fees when due. Reference is hereby made to the Authorizing Ordinance for a statement of the nature and extent of the security and the rights and obligations of the City, the Trustee and the owners of the Series 2008 Bonds.

The City has reserved the right in the Authorizing Ordinance to issue up to \$5,165,000 of additional bonds on a parity of security with the Bonds ("Additional Bonds") with respect to the pledge of collections of the Tax, but not with respect to the debt service reserve created for the Bonds, if certain conditions are met.

Descriptions of the Project, the Series 2008 Bonds, the Tax, the 2008 Authorizing Ordinance and the City are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive; all references herein to the Authorizing Ordinance are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto included in the Authorizing Ordinance.

## **THE SERIES 2008 BONDS**

The Series 2008 Bonds are issued in the aggregate principal amount of \$835,000 as fully registered bonds, without coupons, in the denominations of \$5,000 and any integral multiple thereof.

The Series 2008 Bonds are being issued as set forth on the cover hereof, and the Series 2008 Bonds mature and bear interest as set forth on the cover hereof.

The Series 2008 Bonds when originally issued, will be dated December 1, 2008, and will bear interest from such date, payable June 1 and December 1 of each year, commencing June 1, 2009.

The principal of the Series 2008 Bonds is payable upon presentation and surrender at the principal office of the Trustee in Pine Bluff, Arkansas. Payment of interest on the Series 2008 Bonds will be made to each registered owner thereof by check or draft mailed by the Trustee to such owner at his address as such name and address appears on the registration book of the City kept by the Trustee on the record date which is the fifteenth day of the calendar month next preceding the calendar month in which such interest payment date falls. All such payments will be made in lawful money of the United States of America.

## **REDEMPTION PROVISIONS**

*Optional Redemption.* The Series 2008 Bonds or portions thereof may be redeemed prior to maturity, at the option of the City from funds from any source, at any time, at par, in whole or in part, in inverse order of maturity (and by lot, chosen by any method selected by the Trustee, within a maturity) at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

*Extraordinary Redemption.* The Series 2008 Bonds or portions thereof may be redeemed on any interest payment date from moneys in the Project Fund not needed to complete the Project, after June 1, 2010, in inverse order of maturity (Bonds within a maturity to be selected by lot in such manner as the Trustee shall determine to be fair and equitable) at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

In addition, the Series 2008 Bonds or portions thereof shall be redeemed from Surplus Tax Receipts (hereinafter defined) on any interest payment date, at least annually, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. "Surplus Tax Receipts" are, so long as there are no Additional Bonds outstanding, 100% of the collections of Tax in excess of the amount necessary to (i) insure the prompt payments of the principal of, interest on and Trustee's and administrative fees and expenses in connection with the Series 2008 Bonds as the same become due, (ii) maintain debt service reserves in the required amounts, and (iii) pay any arbitrage rebate dues under Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code").

In the event of a redemption from Surplus Tax Receipts, the Series 2008 Bonds shall be redeemed in inverse order of maturity by lot within a maturity for a particular series in such manner as the Trustee shall determine.

If there are Additional Bonds outstanding, "Surplus Tax Receipts" shall mean collection of the Tax in excess of the amount necessary to (i) insure the prompt payments of the principal of, interest on and Trustee's and administrative fees and expenses in connection with the Series 2008 Bonds and any Additional Bonds as the same become due, (ii) maintain debt service reserves in the required amounts, and (iii) pay any arbitrage rebate dues under Section 148(f) of the Code.

Notice and Effect of Redemption. In the case of any redemption of Series 2008 Bonds prior to maturity, the Trustee shall mail a copy of the redemption notice to the registered owners of the Series 2008 Bonds to be redeemed, by first class mail, in each case not less than fifteen (15) nor more than sixty (60) days prior to the date of redemption.

After the date for redemption, no further interest shall accrue on any Bond called for redemption if funds for redemption of such Bond have been deposited with the Trustee as provided in the Authorizing Ordinance.

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participant").

Purchases of Bonds under the book-entry system may be made through brokers and dealers who are, or act through, DTC Participants. The DTC Participants shall receive a credit balance in the records of DTC. The ownership interest of the actual purchaser of each Bond (the "Beneficial Owner") is to be recorded on the records of the DTC Participant. Beneficial Owners are to receive a written confirmation of their purchase with details of the Bonds acquired. Transfers of ownership interests in Bonds are to be accomplished by book entries made by DTC and by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interest therein, except as specially provided in the Resolution. Interest and principal is to be paid to DTC, or its nominee, when due, and then is to be paid by DTC to the DTC Participants and thereafter is to be paid by the DTC Participants to the Beneficial Owners.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS.

Beneficial Owners of the Bonds or those possessing interests in the Bonds will not receive or have the right to receive physical delivery of such Bonds, and will not be or be considered to be owners thereof under the Resolution. So long as Cede & Co. is the Owner of the Bonds, as nominee of DTC, references herein to Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners thereof.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue services with respect to the Bonds or any Series of Bonds at any time by giving notice to the Board and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the Trustee may make arrangements with a successor securities depository that operates upon reasonable and customary terms. If no such arrangements are made, Bonds are required to be delivered as described in the respective Indentures. The Beneficial Owner, upon registration of the Bonds held in the Beneficial Owner's name, shall become the Owner thereof under the applicable Indenture.

The City may determine to discontinue the system of book-entry transfers through DTC (or a successor securities depository). In such event, the Bonds are to be delivered as described in the Authorizing Ordinance. The Trustee is entitled to rely on information provided by DTC and the DTC Participants as to the names and principal amounts in which the Bonds are to be registered.

When referring to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to the action by such Beneficial Owner or those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

Principal and interest payments on the Bonds are to be made to DTC or its nominee, Cede & Co., as Registered Owner of the Bonds. Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the DTC Participants according to their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners are to be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in street name, subject to any statutory and regulatory requirements as may be in effect from time to time, and would be the responsibility of such DTC Participant or Indirect Participant and not of DTC, the Trustee or the City.

The Trustee and the City, so long as a book-entry system is used for a Series of Bonds, are to send any notice of redemption or other notices required to be sent to Owners of such Series, only to DTC. Any failure by DTC to advise any DTC Participant, or by any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect shall not affect the validity of the redemption of the Bonds of the Series called for redemption or of any other action premised on such notice.

The Board and the Trustee have no responsibility or obligation to Direct Participants, Indirect Participants, or Beneficial Owners with respect to: (a) the payment by DTC, Direct Participants or Indirect Participants of the principal of or interest on the Bonds; (b) the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners; or (c) the accuracy of any records maintained by DTC, Direct Participants, or Indirect Participants.

## **THE PROJECT**

At the special election held September 9, 2008, there was approved the issuance of the Bonds in the aggregate principal amount of \$6,000,000 for financing betterments and improvements to the water system of the City.

The City is issuing \$835,000 of the voter approved bonds for the Project at this time.

The balance of the voter approved bonds (\$5,165,000) may be issued at a later date. See THE AUTHORIZING ORDINANCE, Parity Bonds.

The City will also fund a debt service reserve and pay costs of issuing the Series 2008 Bonds from the Series 2008 Bond proceeds.

## SOURCE AND USE OF PROCEEDS

The proceeds of the Series 2008 Bonds will be used in the manner described as follows:

### Sources of Funds:

Principal Amount of Bonds	\$835,000.00
Total Sources of Funds	835,000.00

### Uses of Funds

Construction Fund	\$724,000.00
Debt Service Reserve Account	83,500.00
Costs of Issuance	16,227.50
Underwriter's Discount	<u>11,272.50</u>
Total Uses of Funds	\$835,000.00

## AUTHORITY

The Series 2008 Bonds are being issued under the Constitution and laws of the State, including particularly Amendment 62, the Authorizing Legislation, and pursuant to the Authorizing Ordinance.

## SECURITY FOR THE SERIES 2008 BONDS

The following is a brief description of the security for the Series 2008 Bonds:

Sales and Use Tax Receipts. General. Pursuant to the Authorizing Legislation and the Tax Ordinance, the City has levied the Tax, which is a tax within the City on all items which are subject to taxation under The Arkansas Gross Receipts Act of 1941 and a tax on the receipts from storing, using or consuming tangible personal property under The Arkansas Compensating (Use) Tax Act of 1949. The Tax is limited to a maximum of \$25.00 for any single transaction as defined by the City. Pursuant to the Authorizing Ordinance, the City has pledged the Tax receipts to the payment of the Bonds. The Tax was approved as security for the Bonds at the special election held September 9, 2008 and will become effective on January 1, 2009.

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

- (a) Tangible personal property;
- (b) Natural or artificial gas, electricity, water, ice, steam, or any other utility or public service, except transportation services, sewer services, and sanitation or garbage collection services;
- (c) (i) Service of furnishing rooms, suites, condominiums, townhouses, rental houses, or other accommodations by hotels, apartment hotels, lodging houses, tourist camps, tourist courts, property management companies, or any other provider of accommodations to transient guests.
- (ii) Service of initial installation, alteration, addition, cleaning, refinishing, replacement, and repair of: motor vehicles; aircraft; farm machinery and implements; motors of all kinds; tires and batteries; boats; electrical appliances and devices; furniture; rugs; flooring; upholstery; household appliances; televisions and radios; jewelry; watches and clocks; engineering instruments; medical and surgical instruments; machinery of all kinds; bicycles; office machines and equipment; shoes; tin and sheetmetal; mechanical tools; and shop equipment; however, the tax does not apply to (A) coin operated car washes; (B) the repair or maintenance of railroad parts, railroad cars, and equipment brought into the State of Arkansas solely and exclusively for the purpose of being repaired, refurbished, modified, or converted within the State; (C) services performed on watches and clocks which are received by mail or common carrier from outside the State and which, after the service is performed, are returned by mail or common carrier or in the repairer's

own conveyance to points outside the State; (D) the repair or remanufacture of industrial metal rollers or platens that have a remanufactured, nonmetallic material covering on all or part of the roller or platen surface which are brought into the State of Arkansas solely and exclusively for the purpose of being repaired or remanufactured in this state and are then shipped back to the state of origin; (E) the service of alteration, addition, cleaning, refinishing, replacement, or repair of commercial jet aircraft, commercial jet aircraft components, or commercial jet aircraft subcomponents; (F) the initial installation, alteration, addition, cleaning, refinishing, replacement, or repair of nonmechanical, passive, or manually operated components of buildings or other improvements or structures affixed to real estate

(iii) Service of cable television, community antenna television, and any and all other distribution of television, video, or radio services with or without the use of wires provided to subscribers or paying customers or users, including all service charges and rental charges, whether for basic service, premium channels, or other special service, and including installation and repair service charges and any other charges having any connection with the providing of these services.

(iv) Service of providing transportation or delivery of money, property, or valuables by armored car; providing cleaning or janitorial work; pool cleaning and servicing; pager services; telephone answering services; lawn care and landscaping services; parking a motor vehicle or allowing the motor vehicle to be parked; storing a motor vehicle; storing furs; and providing indoor tanning at a tanning salon.

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

(e) Tickets or admissions to places of amusement or to athletic, entertainment, or recreational events, or fees for access to or the use of amusement, entertainment, athletic, or recreational facilities;

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

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

(h) Gross receipts derived from the retail sale of any device used in playing bingo and any charge for admittance to facilities or for the right to play bingo or other games of chance regardless of whether such activity might otherwise be prohibited by law.

(i) Service by telephone, telecommunications, and telegraph companies to subscribers or users, including transmission of messages or images whether local or long distance; basic local service and rental charges, including all installation and construction charges and all service and rental charges having any connection with transmission of any message or image; including long distance messages that originate and terminate within the State, interstate long distance messages that originate within the State or terminate outside the State and are billed to a place of primary use in the State, all customer access line charges associated with or for access to the long distance network, except that access or other telecommunication services provided to telephone, telegraph, or telecommunications companies that will be used to provide telecommunications services shall not be subject to this tax, and long distance messages that originate and terminate outside this state made by mobile telecommunications service that are charged to a customer who maintains a place of primary use in this state; and the one-way or two-way transmission of messages, voice messages, images, or other real-time or essentially real-time communications whether accomplished by any means including wire, cable, fiber optics, laser, microwave, radio, satellite, voice-over Internet protocol, or similar facilities; however, the tax does not apply to any interstate private communications service that is not accessible by the public, any interstate service that allows access to private telephone lines and that is not accessible by the public, any interstate wide area telecommunications service or other similar service that entitles the subscriber to make or receive an unlimited number of communications to or from persons having telecommunications service in a specified area that is outside the state in which the station provided with this

service is located, or any telephone or telecommunication services paid by using a prepaid telephone calling card or prepaid authorization number.

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

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

(l) Tangible personal property and services sold to financial institutions;

(m) Wrecker and towing services;

(n) Collection and disposal of solid wastes;

(o) Cleaning of parking lots and gutters;

(p) Dry cleaning and laundry services;

(q) Industrial laundry services;

(r) Mini warehouse and self storage rental services;

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

(t) Pest control services;

(u) Security and alarm monitoring services;

(v) Boat storage and docking fees;

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

(x) Locksmith services; and

(y) Pet grooming and kennel services.

(z) Lease or rental of a portable toilet on a long-term or short-term basis and any service associated with the lease or rental of a portable toilet, including: Pumping, recharging with chemicals, disinfecting, cleaning, deodorizing, refilling toilet paper, general maintenance or repair, pick-up or delivery, or any other related service.

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

(a) New or used house trailers, mobile homes, aircraft, motor vehicles, trailers or semi-trailers and a used house trailer, mobile home, aircraft, motor vehicle, trailer or semi-trailer is taken as a credit or part payment of the purchase price, when the total consideration is less than the following: \$2,000 for aircraft, house trailers and mobile homes (or \$10,000 in case the house trailer or mobile home is a "manufactured home"); and \$2,500 for motor vehicles, trailers and semi-trailers;

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

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

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

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

(f) Newspapers;

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

(h) Gasoline or motor vehicle fuel on which the motor vehicle fuel or gasoline tax has been paid to the State; special fuel or petroleum products sold for consumption by vessels, barges and other commercial watercraft and railroads; dyed distillate special fuel on which the tax levied by § 26-56-224 has been paid; and biodiesel fuel;

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

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

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

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

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

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

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

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

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

(r) Unprocessed crude oil;

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

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

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

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

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

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

(y) Property or services to humane societies;

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

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

(bb) Agricultural fertilizer, agricultural limestone and agricultural chemicals;

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

(dd) Rental and/or lease of specialized equipment used in the filming of a motion picture;

(ee) New and used farm machinery and equipment;

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

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

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

- (ii) Catalysts, chemicals, reagents, and solutions which are consumed or used by manufacturing or processing plants or facilities in the State in producing, manufacturing, fabricating, processing, or finishing articles of commerce or to prevent or reduce air or water pollution or contamination;
- (jj) Feedstuffs used in the commercial production of livestock or poultry;
- (kk) New custom manufactured homes constructed from materials on which the State sales tax has been paid;
- (ll) The first 500 kilowatt hours of electricity per month and the total franchise tax billed to each residential customer whose household income is less than \$12,000 per year;
- (mm) Waste fuel used in producing, manufacturing, fabricating, assembling, processing, finishing, or packaging of articles of commerce at manufacturing or processing plants or facilities in the State;
- (nn) Electricity and natural gas to qualified steel manufacturers;
- (oo) Tangible personal property lawfully purchased with food stamps, food coupons, food instruments or vouchers in connection with certain Federal programs;
- (pp) Publications sold through regular subscriptions;
- (qq) Tickets for admission to athletic events and interscholastic activities of public and private elementary and secondary schools in the State and tickets for admission to athletic events at public and private colleges and universities in the State;
- (rr) Prescriptive adaptive medical equipment and prescriptive disposable medical equipment;
- (ss) Insulin and test strips for testing blood sugar levels in humans;
- (tt) Telephone instruments sent into the State for refurbishing or repair and then shipped back to the state of origin;
- (uu) Industrial metal rollers sent into the State for repair or remanufacture and then shipped back to the state of origin;
- (vv) New motor vehicles purchased by non-profit organizations and used for the performance of contracts with the Department of Human Services, and new motor vehicles purchased with Urban Mass Transit Administration funds if (i) the vehicles are purchased in lots of ten vehicles, (ii) meet minimum State specifications, and (iii) vehicles are used for transportation under the Department of Human Services' programs for the aging, disabled, mentally ill, and children and family services;
- (ww) Motor fuels to owners or operators of motor buses operated on designated streets according to regular schedule and under municipal franchise which are used for municipal transportation purposes;
- (xx) Parts or other tangible personal property incorporated into or which become a part of commercial jet aircraft component or subcomponents;
- (yy) Transfer of fill material by a business engaged in transporting or delivering fill material;
- (zz) Long-term leases, thirty days or more, of commercial trucks used for interstate transportation of goods under certain conditions;
- (aaa) Food and food ingredients to nonprofit agencies;

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

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

(ddd) Sales to Fort Smith Clearinghouse;

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

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

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

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

(iii) Gas produced from biomass and sold for the purpose of generating energy to be sold to the gas producer;

(jjj) Fuel packaging materials sold to a person engaged in the business of processing hazardous and non-hazardous waste materials into fuel products at an approved site;

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

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

(mmm) Tangible personal property or services to the Arkansas Symphony Orchestra, Inc.;

(nnn) Electricity used for the production of chlorine and other chemicals using a chloralkali manufacturing process; and

(ooo) Tangible personal property or services to a qualified museum.

(ppp) Natural gas and electricity used in the manufacturing of tires.

(qqq) Sale of any good, ware, merchandise, or tangible personal property withdrawn or used from an established business or from the stock in trade of the established reserves for consumption or use in an established business or by any other person if the good, ware, merchandise, or tangible personal property withdrawn or used is donated to a National Guard member, emergency service worker, or volunteer providing services to a county which has been declared a disaster area by the Governor.

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

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

aircraft, automotive or railroad companies brought into the City solely and exclusively for refurbishing, conversion, or modification within the City or storage for use outside or inside the City regardless of the length of time any such property is so stored in the City. The use tax is levied on the following described tangible personal property:

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

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

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

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

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

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

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

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

(i) Computer software, including prewritten computer software; and

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

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

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

(b) Sales of tangible personal property in which the tax under the Arkansas Gross Receipts Act of 1941 is levied;

(c) Tangible personal property which is exempted from the sales tax under the Arkansas Gross Receipts Act of 1941;

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

(e) Unprocessed crude oil;

- (f) Machinery and equipment used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at manufacturing or processing plants or facilities in the State, including facilities and plants for manufacturing feed, processing of poultry and/or eggs and livestock and the hatching of poultry and such equipment is either (1) purchased to create or expand manufacturing or processing plants in the State, (2) purchased to replace existing machinery and used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at manufacturing or processing plants in the State, or (3) required by State law to be installed and utilized by manufacturing or processing plants to prevent or reduce air and/or water pollution or contamination;
- (g) Custom manufactured homes constructed with materials on which the sales or use tax has once been paid;
- (h) Aircraft, aircraft equipment, railroad parts, cars, and equipment, and tangible personal property owned or leased by aircraft, airmotive, or railroad companies, brought into the State solely and exclusively for refurbishing, conversion, or modification or for storage for use outside or inside the State;
- (i) Vessels, barges, and towboats of at least 50 tons load displacement and parts and labor used in the repair and construction of them;
- (j) Motor fuels to the owners or operators of motor buses operated on designated streets according to regular schedule, under municipal franchise, which are used for municipal transportation purposes;
- (k) Agricultural fertilizer, agricultural limestone, agricultural chemicals, including agricultural pesticides and herbicides used in commercial production of agricultural products, and vaccines, medications, and medicinal preparations, used in treating livestock and poultry being grown for commercial purposes and other ingredients used in the commercial production of yeast;
- (l) All new and used motor vehicles, trailers or semi-trailers that are purchased for a total consideration of less than \$2,500;
- (m) Any tangible personal property used, consumed, distributed, or stored in this State upon which a like tax, equal to or greater than the Arkansas Compensating (Use) Tax, has been paid in another state;
- (n) Prescriptive adaptive medical equipment and prescriptive disposable medical equipment;
- (o) Fire protection and emergency equipment to be owned by and exclusively used by a volunteer fire department, and supplies and materials to be used in the construction and maintenance of volunteer fire departments;
- (p) Electricity and natural gas used in the manufacturing of wall and floor tile by approved manufacturers;
- (q) Tangible personal property consisting of forms constructed of plaster, cardboard, fiberglass, natural fibers, synthetic fibers or composites and which are destroyed or consumed during the manufacture of the item;
- (r) Natural gas used as a fuel in the process of manufacturing glass;
- (s) Sales to Fort Smith Clearinghouse;
- (t) Food and food ingredients to nonprofit agencies; and
- (u) Railroad rolling stock manufactured for use in transporting persons or property in interstate commerce.

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

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

Tax Receipts. By Ordinance No. 07-07-2008B passed and approved on July 7, 2008, the City levied a one percent sales and use tax pursuant to Arkansas Code Annotated §§14-164-301 *et seq.* (1998 Repl.) which tax was approved by a majority of the voters at a special election held September 9, 2008. The tax will be utilized to make betterments and improvements to the water and sewer system of the City.

The population of the City could increase or decrease thereby affecting the tax. Tax Receipts will be contingent upon the sale and use of property and services within the City, which activity is generally dependent upon economic conditions within the City and surrounding trade area. Also, future Tax Receipts may be affected by changes made by the General Assembly of the State to transactions included or exempted from the Tax. In the past, the General Assembly of the State has considered changes to the Tax which, if adopted, could reduce future Tax Receipts. The City has no control over actions of the General Assembly and cannot predict whether changes to the Tax may be made. Accordingly, the City cannot predict with certainty the expected amount of Tax Receipts to be received, and, therefore, there can be no assurance that receipts from the Taxes will be sufficient to pay the principal of and interest on the Series 2008 Bonds.

Use of Tax Receipts. The City has designated the Trustee to receive from the State Treasurer the receipts from the Taxes. The Trustee will deposit receipts from the Taxes which it receives monthly into the Bond Fund established by the Authorizing Ordinance (the "Bond Fund").

Tax Receipts shall be credited each month to the Bond Fund as and when received in the following order of priority:

- (1) to pay the interest on the Bonds and any Additional Bonds (collectively, the "Bonds") then due; and
- (2) to pay the principal of the Bonds then due at maturity or upon mandatory sinking fund redemption; and
- (3) to make provision in the Bond Fund for payment of one-half of the principal next due on the Bonds at maturity or upon mandatory sinking fund redemption if principal is not due on such interest payment date; and
- (4) to pay into the Debt Service Reserve Account any moneys necessary to increase the Debt Service Reserve Account to the required level; and
- (5) to pay the Trustee's fees and expenses and other administrative charges then due; and
- (6) to make any rebate payment due the United States under Section 148(f) the Code; and
- (7) to redeem Bonds prior to maturity.

The Trustee is authorized and directed to withdraw from the Bond Fund on each due date an amount sufficient to pay principal of and interest on the Bonds. Any balance remaining in the Bond Fund after principal on the Bonds is paid shall be used as set forth in paragraph 5 above.

If the amount in the Debt Service Reserve Account for the Bonds falls below the required level, Tax Receipts in the amount necessary will be used to increase the Debt Service Reserve Account to the required level.

Debt Service Reserve Account. Pursuant to the Authorizing Ordinance, the City has established a Debt Service Reserve Account for the benefit of the Owners of the 2008 Bonds. The "Debt Service Reserve Requirement" is an amount equal to fifty percent (50%) of the maximum annual principal and interest requirement on the outstanding 2008 Bonds. The initial deposit will be \$83,500.

### **DEBT SERVICE REQUIREMENTS**

The Series 2008 Bonds are structured to provide approximately level scheduled debt service requirements in each year. However, the City expects to retire the Series 2008 Bonds earlier than scheduled from Surplus Tax Receipts (as defined herein) through the use of redemption of the Series 2008 Bonds. See THE SERIES 2008 BONDS - REDEMPTION PROVISIONS - Extraordinary Redemption and PROJECTED MANDATORY REDEMPTION.

The following table shows amounts required to pay scheduled principal and interest on the Series 2008 Bonds during each year:

<u>Year</u> <u>December 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$130,000	30,212.50	160,212.50
2010	135,000	26,312.50	161,312.50
2011	135,000	21,925.00	156,925.00
2012	140,000	17,200.00	157,200.00
2013	145,000	11,950.00	156,950.00
2014	150,000	6,150.00	156,150.00

### **ESTIMATED DEBT SERVICE COVERAGE**

Set forth below is estimated debt service coverage information for the Series 2008 Bonds. THERE IS NO GUARANTEE THAT SUCH ASSUMPTION WILL BE CONSISTENT WITH ACTUAL EVENTS.

Actual collections of the Tax by the City will depend upon, among other things, the level of retail activity within the City, the economic health of the surrounding trade area and possible future actions by the General Assembly of the State defining transactions subject to the Tax. The figure set forth below is only an estimate and there can be no assurance that actual tax receipts will equal the estimate shown below.

The City has been collecting a 1% general sales tax. The following table shows past collections of the City's existing 1% tax:

<u>Year</u>	<u>Past Collections</u>
2008	\$168,208 (through October 2008)
2007	186,988
2006	169,926
2005	162,986
2004	137,624
2003	114,121
2002	114,666
2001	103,173
2000	88,428

Based on the 12 months of collections (November 1, 2007 to October 31, 2008) of \$201,663, estimated debt service coverage is as follows:

Tax Receipts available for Debt Service	\$201,663.00
Maximum Annual Debt Service	\$161,312.50
Estimated Debt Service Coverage	1.25x

### **THE AUTHORIZING ORDINANCE**

Set forth below is a summary of certain portions of the Authorizing Ordinance. This summary does not purport to be comprehensive and reference is made to the full text of the Authorizing Ordinance for a complete description of its provisions. Unless the context clearly indicates otherwise, all references under this heading to the "Bonds" shall mean the Series 2008 Bonds offered hereby and Additional Bonds.

Establishment of Funds. The Authorizing Ordinance creates a Bond Fund and a Project Fund. The Bond Fund and Project Fund will be held by the Trustee.

Bond Fund. All monthly Tax Receipts received by the Trustee shall be deposited into the Bond Fund and used to pay the principal of, interest on and Trustee's and paying agent's fees when due in connection with the Bonds, to maintain the Debt Service Reserve Account for the Bonds at its required level, and to pay any arbitrage rebate dues under Section 148(f) of the Code.

The City authorizes and directs the Trustee in the Authorizing Ordinance to withdraw sufficient funds from the Bond Fund to pay the principal of and interest on the Bonds as the same become due and payable at maturity or at redemption prior to maturity. See DEBT SERVICE REQUIREMENTS; THE SERIES 2008 BONDS - REDEMPTION PROVISIONS - Extraordinary Redemption.

Project Fund. Proceeds of the Series 2008 Bonds less the amounts deposited into the Bond Fund will be deposited into the Project Fund. Moneys in the Project Fund are to be expended for constructing betterments and improvements to the City's water and sewer system. Any balance remaining in the Project Fund not needed for to complete the Project will be used to redeem Series 2008 Bonds. The Project Fund will be held by the Trustee.

Investments. (a) Moneys held for the Project Fund may be invested and reinvested pursuant to the direction of the City by the depository bank in (i) direct or fully guaranteed obligations of the United States of America ("Government Securities"), (ii) in certificates of deposit of banks, including the Trustee, which are members of the Federal Deposit Insurance Corporation ("FDIC"), or (iii) other investments as may, from time to time, be permitted by law.

(b) Moneys held for the credit of the Bond Fund shall be invested and reinvested in (i) Government Securities or (ii) certificates of deposit of banks, including the Trustee, which are insured by the FDIC, or if in excess of insurance coverage, are collateralized by Government Securities, which will mature, or which will be subject to redemption by the holder thereof at the option of the holder, not later than the date or dates on which the money shall be required for the payment of the principal of and interest on the Bonds when due. The Trustee shall so invest and reinvest pursuant to the direction of the City and in the Trustee's discretion in the absence of any direct instructions from the City.

(c) Moneys held for the credit of the Debt Service Reserve Account in the Bond Fund shall be invested and reinvested in Government Securities, or certificates of deposit of banks, including the Trustee, insured by the Federal Deposit Insurance Corporation, or, if in excess of \$250,000, are collateralized by Government Securities, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than five (5) years after the date of investment or the final maturity date of the outstanding Bonds, whichever is earlier. The Trustee shall so invest and reinvest pursuant to the direction of the City and in the Trustee's discretion in the absence of any direct instructions from the City. The Trustee shall value all investments held for the credit of the Debt Service Reserve Account at least once per year.

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

(e) Moneys so invested in Government Securities or in certificates of deposit of banks to the extent insured by FDIC need not be secured by the depository bank or banks.

Certain Covenants. The City covenants that it will not take, suffer or permit any action which may cause the interest payable on the Bonds to be included in gross income for federal income tax purposes, including any use of proceeds of the sale of the Bonds or receipts from the Tax directly or indirectly in such manner as to cause the Bonds to be treated as "arbitrage bonds" within the meaning of the Code.

Parity Bonds. The City covenants that it will not issue any other bonds, or incur any obligation, secured by a lien on or pledge of the Tax Receipts. However, additional bonds may be issued on a parity of security with the Bonds under the provisions of this Ordinance, subject to the conditions hereinafter provided, for the purpose of paying all or any part of the cost of any of the Project ("Additional Bonds"). Such Additional Bonds may be issued if there shall have been filed with the Trustee (1) a report showing that the maximum annual debt service requirement on the Bonds and the proposed additional bonds will produce a coverage of 125% based on the sales and use tax collections for the preceding twelve months over the average annual debt service requirements for the payment of principal of and interest on the Bonds and the Additional Bonds or (2) a report showing that, in the opinion of independent expert in the field of estimating sales and use tax receipts, the Tax Receipts are projected to be equal to at least 125% over the average annual debt service requirements for the payment of principal of and interest on the Bonds and the Additional Bonds. For the purposes of this subsection, an "expert in the field of estimating sales and use tax receipts" is a person with an advanced degree in economics or finance and with experience in economic forecasting.

It is anticipated that the City may issue debt ("ANRC Debt") in the future secured by Surplus Tax Receipts to the Arkansas Natural Resources Commission ("ANRC").

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

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

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

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

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

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

Defeasance. The Bonds shall be deemed paid when there has been deposited with the Trustee in the Bond Fund an amount sufficient to pay the principal of and interest on the Bonds to the date of maturity or redemption. The Bonds shall also be deemed paid if there shall be irrevocably deposited with the Trustee Government Securities that mature according to their terms on or prior to the date of maturity or redemption of the Bonds and the principal of and interest on which, together with any moneys on deposit with the Trustee, will provide an amount sufficient to pay in full the principal or redemption price of any interest on the Bonds when due.

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

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

The Trustee. The Trustee shall be responsible for the exercise of good faith and ordinary prudence in the execution of its trusts and duties. The recitals on the Authorizing Ordinance and in the Bonds are the recitals of the City and not of the Trustee. The Trustee shall not be required to take any action unless it shall have been requested to do so in writing by the owners of not less than ten per cent (10%) in principal amount of Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by sixty (60) days' notice in writing to the City and the owners of the Bonds, and the majority in principal amount of the owners of the outstanding Bonds at any time, with or without cause, may remove the Trustee. In the event of a vacancy in the office of the Trustee either by resignation or by removal, the majority in principal amount of the owners of the outstanding Bonds may appoint a new Trustee, such appointment to be evidenced by a written instrument or instruments filed with the City. If the majority in principal amount of the owners of the outstanding Bonds shall fail to fill a vacancy within thirty (30) days after the same shall occur, then the City shall forthwith designate a new Trustee. No Trustee may resign until a successor Trustee is in place. The Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts and duties imposed upon it by the Authorizing Ordinance, but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective

owners of the Bonds agree. Such written acceptance shall be filed with the City, and a copy thereof shall be placed in the Bond transcript. Any successor Trustee shall have all the powers herein granted to the original Trustee.

*Supplemental Ordinances.* The terms of the Authorizing Ordinance constitute a contract between the City and the owners of the Bonds and no variation or change in the undertaking set forth in the Authorizing Ordinance shall be made while any of the Bonds are outstanding, except as hereinafter set forth, and the owner of any Bonds may at any time for and on his own behalf or for and on behalf of all Bond owners enforce the obligations of the City by a proper suit for that purpose. The owners of not less than seventy-five per cent (75%) in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, to consent to and approve the adoption by the City of a supplemental ordinance as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Authorizing Ordinance or in any supplemental ordinance. The Trustee may consent to any change without the consent of seventy-five percent (75%) of the owners of the aggregate principal amount of Bonds outstanding in order to cure any ambiguity or formal defect or omission in the Authorizing Ordinance or any amendment thereto, provided, however, that nothing therein contained shall permit or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond issued thereunder, or (b) a reduction in the principal amount of any Bond or the rate or interest thereon, or (c) the creation of a pledge or receipts of the Taxes superior to the pledge created by the Authorizing Ordinance, or (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

**THE CITY OF ELKINS AND WASHINGTON COUNTY**

The City of Elkins is located in Washington County, Arkansas and is a city of the second class organized and existing under the laws of the State of Arkansas. The City is located in the northwest part of the State and is approximately 180 miles northwest of Little Rock, Arkansas, and 10 miles south of Fayetteville, Arkansas.

The City and County have experienced steady increases in population over the last few decades. Population figures, according to the United States Census are as follows:

<u>Year</u>	<u>City Population</u>	<u>County Population</u>
2007	2,420	194,292
2000	1,251	157,715
1990	692	113,409
1980	579	100,494
1970	418	77,370

Transportation

The City is served by Highway No. 16.

Government

The City has the Mayor-City Council form government, under which the City is governed by a City Council and Mayor. The Mayor serves a 4-year term while the members of the City Council serve a 2-year term. The current Mayor and City Councilmen and the years in which terms expire are as follows:

		<u>Term</u>
Mayor:	Jack Ladyman	December 31, 2010
Aldermen:	Bonnie Wilcox	December 31, 2008
	Bruce Ledford	December 31, 2008
	Jeremy Stevens	December 31, 2008
	Bobby McGarragh	December 31, 2008
	Bob Cox	December 31, 2008
	Bill Epperson	December 31, 2008
City Recorder:	Constance Tabor	December 31, 2008

### Education

Primary education for the City's inhabitants is provided by one elementary school – 383 (kindergarten to 4<sup>th</sup> grade), one middle school – 361 (5<sup>th</sup> to 8<sup>th</sup> grade) and one high school – 276 (9<sup>th</sup> to 12<sup>th</sup> grade).

### Income

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

<u>Year</u>	<u>Washington County</u>	<u>Arkansas</u>
2007	N/A	N/A
2006	\$29,249	\$28,473
2005	28,194	26,989
2004	26,735	25,776
2003	24,387	24,440
2002	23,653	23,391
2001	23,040	23,034
2000	21,806	21,926

Retail sales figures for Washington County and the State of Arkansas are as follows:

<u>Year</u>	<u>Washington County</u>	<u>Arkansas</u>
2007	\$4,778,591,000	\$43,504,752,000
2006	4,140,501,000	38,843,312,000
2005	2,622,462,000	34,290,412,000
2004	2,288,059,000	31,463,983,000
2003	2,117,028,000	29,920,716,000
2002	2,027,179,000	29,262,775,000
2001	2,045,327,000	29,652,693,000
2000	1,929,888,000	28,448,033,000

## Employment

Unemployment figures for Washington County and the State of Arkansas are as follows:

<u>Year</u>	<u>Washington County</u>	<u>Arkansas</u>
2007	3.9%	5.4%
2006	3.7	5.3
2005	3.3	5.1
2004	3.8	5.6
2003	3.8	5.8
2002	3.3	5.3
2001	2.9	4.7
2000	2.9	4.2

Major employers in the County, their products or services and approximate number of employees are set forth below:

<u>Organization Name</u>	<u>Product or Service</u>	<u>Appx. Number of Employees</u>
Tyson Foods, Inc.	food manufacturing	7,500
University of Arkansas	Education	4,000
Superior Industries	Manufacturing	2,000-2,499
Pinnacle Foods Corp.	food manufacturing	2,000-2,499
Washington Regional Medical Center	medical facilities	1,500-1,999

## Deposits

The following is a table of bank deposits for all banks (does not include savings and loan institutions) in Washington County.

<u>Year</u>	<u>Washington County</u>
2007	\$3,239,000
2006	3,053,000
2005	2,619,000
2004	2,360,000
2003	2,132,000
2002	2,006,000
2001	1,887,000
2000	1,740,000

## **UNDERWRITING**

Under a Bond Purchase Agreement (the "Agreement") entered into by and between the City, as issuer, and Stephens Inc., as underwriter (the "Underwriter"), the Series 2008 Bonds are being purchased at \_\_\_% of par plus accrued interest. The Agreement provides that the Underwriter will purchase all of the Series 2008 Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2008 Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the Series 2008 Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial or business condition of the City.

The Underwriter intends to offer the Series 2008 Bonds to the public initially at the offering prices set forth on the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2008 Bonds to the public. The Underwriter may offer and sell Series 2008 Bonds to certain dealers (including dealers depositing Series 2008 Bonds into investments trusts) at prices lower than the public offering price.

Stephens Inc. has served the City in the capacity of a financial advisor in connection with the financing of the proposed ANRC Debt for the Project. For the purpose of facilitating a negotiated bond financing or financings to finance a portion of the cost of the Project, the City and Stephens Inc. have entered into a financial advisory agreement dated July 3, 2008 to limit the scope of the agreement and to exclude from the scope of the agreement any financial advisory services relating to the Series 2008 Bonds.

## **LIMITED CONTINUING DISCLOSURE**

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

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

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

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

"Listed Events" shall mean any of the events listed hereunder.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as modified by Rule 15c2-12(d)(2) as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State of Arkansas as a state repository for the purpose of the Rule. As of the date hereof, there is no State Repository.

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the security.
7. Modification to rights of security holders.
8. Bond calls (excluding mandatory sinking fund redemptions).
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the securities.
11. Rating changes.

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

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event (excluding an event described in (a)8 above), whether by notice from the Trustee or otherwise, the City shall file (or shall cause the Dissemination Agent to file) a notice of such occurrence with the Municipal Securities Rulemaking Board, each State Repository and the Trustee. In the event of a Listed Event described in (a)8 above, the Dissemination Agent shall make the filing and notice thereof need not be given any earlier than the notice for the underlying event is given to registered owners of affected Bonds pursuant to the terms of the Indenture. Each notice of the occurrence of a Listed Event shall be captioned “Notice of Material Event” and shall properly state the date, title and CUSIP number of the Bonds.

Financial Information or Operating Data. (a) The City will provide, upon request to any person or at least annually to the appropriate State Repository, if any, the following financial information or operating data regarding the City:

1. The annual audit of the System prepared in accordance with government auditing standards issued by the Comptroller General of the United States and applicable State law.
2. Any other financial information or operating data which is customarily prepared by the City and is publicly available.

(b) The above-described information and the information described under the Caption Reporting of Significant Events may be obtained from Candace Tabor, City Recorder, whose address is P. O. Box 331, Elkins, Arkansas 72727, and whose telephone number is (501) 643-3400.

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

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

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

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

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

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

In the event of any amendment or waiver of a provision of the Limited Continuing Disclosure Agreement which relates to the accounting principles to be followed in preparing financial statements, notice of such change shall be given in the same manner as for a Listed Event.

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

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

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

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

### **TAX EXEMPTION**

In the opinion of Williams & Anderson PLC, Bond Counsel, under existing law the interest on the Series 2008 Bonds is exempt from all Arkansas state, county and municipal taxes.

Also, in the opinion of Bond Counsel, interest on the Series 2008 Bonds under existing law (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in clause (a) above is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2008 Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements could cause the interest on the Series 2008 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2008 Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

Prospective purchasers of the Series 2008 Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2008 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

An exception allows a deduction of 80% of interest expense allocable to "qualified tax-exempt obligations." Under the Code, the term includes any obligation (1) which is not a "private activity bond" within the meaning of the Code (excluding from that term "qualified 501(c)(3) bonds"), (2) which is issued by an issuer (and subordinate entities) which reasonably anticipates to issue not more than \$10,000,000 of tax-exempt obligations (other than private activity bonds (excluding from that term "qualified 501(c)(3) bonds" under Section 145 of the Code) during the calendar year, and (3) is so designated by the issuer.

The City has designated the Series 2008 Bonds as "qualified tax-exempt obligations" and has covenanted not to use the Project and the proceeds of the Project and the Series 2008 Bonds in a manner which would cause the Series 2008 Bonds to be "private activity bonds," and has represented that the City and its subordinate entities have not and will not issue more than \$10,000,000 of such tax-exempt obligations during calendar year 2008.

### **LEGAL MATTERS**

Legal Opinions. Legal matters incident to the authorization and issuance of the Series 2008 Bonds are subject to the unqualified approving opinion of Williams & Anderson PLC, Little Rock, Arkansas, Bond Counsel.

Litigation. There is no litigation pending seeking to restrain or enjoin the Tax or the issuance or delivery of the Series 2008 Bonds, or questioning or affecting the legality of the Tax or Bonds or the proceedings and authority under which the Series 2008 Bonds are to be issued, or questioning the right of the City to adopt the Authorizing Ordinance and the Tax Ordinance or to issue the Series 2008 Bonds or the levy and pledge of the Tax by the City.

### **ENFORCEABILITY OF REMEDIES**

Rights of the registered owners of the Series 2008 Bonds and the enforceability of the remedies available under the Authorizing Ordinance may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State of Arkansas or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Authorizing Ordinance resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

### **MISCELLANEOUS**

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2008 Bonds.

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

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

### **CITY OF ELKINS, ARKANSAS**

By: /s/ Jack Ladyman  
Mayor

DATED: As of the Cover Page hereof.