

**NEW ISSUE
BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Series 2009 Bonds is excludable from gross income for federal income tax purposes, subject to the condition that the County comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Series 2009 Bonds, and the Series 2009 Bonds and interest thereon are exempt from all Arkansas state, county and municipal taxes. In the opinion of Bond Counsel, interest on the Series 2009 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and the Series 2009 Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code. See LEGAL MATTERS, Tax Exemption herein.

**\$1,355,000
HEMPSTEAD COUNTY, ARKANSAS
SALES AND USE TAX BONDS
SERIES 2009**

Dated: April 1, 2009

Due: June 1, as shown below

Principal of and interest on the Series 2009 Bonds are payable from a pledge of (a) all receipts derived by Hempstead County, Arkansas (the "County") from a 0.75% sales and use tax levied by the County and (b) a portion of receipts derived by the County from a 0.25% sales and use tax levied by the County. The pledge in favor of the Series 2009 Bonds is on a parity with the County's Sales and Use Tax Bonds, Series 2008. Interest on the Series 2009 Bonds is payable semiannually on June 1 and December 1 in each year, commencing December 1, 2009, and the Series 2009 Bonds mature (on June 1 of each year), bear interest and are priced to yield as follows:

MATURITY SCHEDULE

<u>Maturity</u>	<u>Amount</u>	<u>Rate (%)</u>	<u>Yield(%)</u>
2010	\$290,000	3.00	1.750
2011	220,000	3.00	2.000
2012	230,000	3.00	2.250
2013	235,000	3.00	2.375
2014	240,000	2.50	2.500
2015	140,000	2.50	2.500

(Accrued interest from April 1, 2009 to be added)

The Series 2009 Bonds of each maturity will be initially issued as a single registered Bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Bonds will be available for purchase in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Series 2009 Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Series 2009 Bonds will be made by BancorpSouth Bank, Stuttgart, Arkansas, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Series 2009 Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Series 2009 Bonds, all as further described herein.

The Bonds are offered, subject to prior sale, when, as and if issued and received by the Underwriter named below, subject to the approval of legality by Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, and subject to certain other conditions. This cover page contains information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Stephens Inc.
Investment Bankers

Dated: March 5, 2009.

No dealer, broker, salesman or other person has been authorized by the County 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 other solicitation of an offer to buy, nor shall there be any sale of the Series 2009 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 County since the date hereof.

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OFFICIAL STATEMENT

\$1,355,000
HEMPSTEAD COUNTY, ARKANSAS
SALES AND USE TAX BONDS
SERIES 2009

INTRODUCTION TO THE OFFICIAL STATEMENT

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof. A full review should be made of the entire Official Statement, as well as the Authorizing Ordinance described herein.

This Official Statement of Hempstead County, Arkansas (the "County") is furnished in connection with the offering by the County of its \$1,355,000 principal amount of Sales and Use Tax Bonds, Series 2009, dated April 1, 2009 (the "Series 2009 Bonds"). The Series 2009 Bonds are being issued for the purpose of financing a portion of the costs of acquiring, constructing, furnishing and equipping a new auditorium and community conference center to be located on the campus of the University of Arkansas Community College at Hope (the "College") to be jointly used by the County and the College (the "Improvements"), providing a debt service reserve and paying expenses of issuing the Series 2009 Bonds. See **THE SERIES 2009 BONDS**, Purposes for Bonds.

The County is a county organized under the laws of the State of Arkansas (the "State") and is located in southwest Arkansas. The County is authorized under Amendment No. 62 to the Constitution of the State ("Amendment 62") and Title 14, Chapter 164, Subchapter 3 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation") to issue capital improvement bonds and to expend the proceeds thereof for the intended purposes. See **THE COUNTY**.

The Series 2009 Bonds are not general obligations of the County but are special obligations payable solely from all collections of a 0.75% sales and use tax (the "0.75% Tax") and a portion of collections of a 0.25% sales and use tax (the "0.25% Tax") levied by the County as follows: (a) collections received from the levy of the 0.25% Tax for the first 18 months (i.e., collections from December 2008 through May 2010) and (b) one-half of the collections received from the levy of the 0.25% Tax after the first 18 months (collectively, the "Pledged Revenues"). The 0.75% Tax is levied under Ordinance No. 2007-43, adopted December 27, 2007 under the Authority of Title 26, Chapter 74, Subchapter 2 of the Arkansas Code of 1987 Annotated (the "Tax Legislation"). The 0.25% Tax is levied under Ordinance No. 2007-41, adopted December 27, 2007 under the authority of the Tax Legislation. The pledge of collections of the 0.75% tax and the 0.25% tax (collectively, the "Taxes") in favor of the Series 2009 Bonds is on a parity with \$10,000,000 in outstanding principal amount of the County's Sales and Use Tax Bonds, Series 2008, dated July 1, 2008 (the "Series 2008 Bonds"). The voters approved the Taxes at a special election held March 11, 2008. Collections of the 0.75% Tax may only be used to pay obligations with respect to the Series 2008 Bonds and the Series 2009 Bonds. Collections of the 0.25% Tax which are not Pledged Revenues shall be used for capital improvements to or the maintenance and operation of the College ("College Purposes"). See **THE SERIES 2009 BONDS**, Security.

The issuance of the Series 2009 Bonds and the pledging of the Pledged Revenues to the payment of the principal of and interest on the Series 2008 Bonds and the Series 2009 Bonds was approved at a special election held March 11, 2008. The Series 2009 Bonds are being issued pursuant to and in full compliance with Amendment 62 and the Authorizing Legislation and Ordinance No. 2008-21 of the County, adopted on June 13, 2008 and Ordinance No. 2009-10 of the County, adopted on

February 26, 2009 (collectively, the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

The Series 2009 Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or integral multiple thereof. Interest is payable December 1, 2009, and semiannually thereafter on each June 1 and December 1. Principal is payable at the principal office of BancorpSouth Bank, Stuttgart, Arkansas, as trustee and paying agent (the "Trustee"). Interest is payable by check mailed by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Series 2009 Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Series 2009 Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the Series 2009 Bond, together with a written instrument of transfer, to the Trustee. See **THE SERIES 2009 BONDS, Generally**.

The Series 2009 Bonds will be initially issued in book-entry form and purchasers of Series 2009 Bonds will not receive certificates representing their interest in the Series 2009 Bonds purchased. See **THE SERIES 2009 BONDS, Book-Entry Only System**. The Series 2009 Bonds will contain such other terms and provisions as described herein **THE SERIES 2009 BONDS, Generally**.

The Series 2009 Bonds are subject to extraordinary redemption from proceeds of the Series 2009 Bonds not needed for the purposes intended and from Surplus Pledged Revenues (hereinafter defined). The Series 2009 Bonds are subject to optional redemption on and after June 1, 2014. The Trustee shall give at least thirty (30) days notice of redemption. See **THE SERIES 2009 BONDS, Redemption**.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Series 2009 Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Series 2009 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (iii) the Series 2009 Bonds and interest thereon are exempt from all State, county and municipal taxes, and (iv) the Series 2009 Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"), and certain financial institutions are allowed a deduction of 80% of that portion of their interest expense allocable to interest on the Series 2009 Bonds. See **LEGAL MATTERS, Tax Exemption**.

It is expected that the Series 2009 Bonds will be available for delivery on or about April 7, 2009, through the facilities of the Depository Trust Company, in New York, New York.

The County and the Trustee have entered into a Continuing Disclosure Agreement in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Continuing Disclosure Agreement"). See **CONTINUING DISCLOSURE AGREEMENT**.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Authorizing Ordinance and the Continuing Disclosure Agreement summarized herein are available upon request from Stephens Inc., 111 Center Street, Little Rock, Arkansas 72201, Attention: Public Finance.

THE SERIES 2009 BONDS

Book-Entry Only System. The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2009 Bond certificate for each maturity will be issued in the principal amount of the maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Series 2009 Bonds, except in the event that use of the book-entry system for the Series 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2009 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009 Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If fewer than all of the Series 2009 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Series 2009 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2009 Bonds at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2009 Bonds are required to be printed and delivered. The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2009 Bonds will be printed and delivered.

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriter nor the County make any representation or warranty regarding the accuracy or completeness thereof.

So long as the Series 2009 Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Series 2009 Bonds for all purposes under the Authorizing Ordinance, including receipt of all principal of and interest on the Series 2009 Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Authorizing Ordinance. The County and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2009 Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under

the terms of the Authorizing Ordinance to be given to owners of Series 2009 Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Series 2009 Bonds.

Generally. The Series 2009 Bonds are dated, mature and bear interest as set forth on the cover page hereof. The principal of the Series 2009 Bonds is payable upon presentation and surrender at the principal office of the Trustee. Payment of interest on the Series 2009 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 appear on the registration book of the County 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.

The Series 2009 Bonds are issuable in the form of registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Authorizing Ordinance. In the event any Series 2009 Bond is mutilated, lost or destroyed, the County shall, if not then prohibited by law, execute and the Trustee may authenticate a new Series 2009 Bond in accordance with the provisions therefor in the Authorizing Ordinance.

Each Series 2009 Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Series 2009 Bond or Series 2009 Bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to any owner of any Series 2009 Bond for the privilege of registration, but any owner of any Series 2009 Bond requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Series 2009 Bond upon each exchange or transfer and any other expenses of the County or the Trustee incurred in connection therewith shall be paid by the County. Neither the County nor the Trustee shall be required to transfer or exchange any Series 2009 Bonds selected for redemption in whole or in part.

The person in whose name any Series 2009 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any Series 2009 Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2009 Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Series 2009 Bonds or the date fixed for redemption of any Series 2009 Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Redemption. The Series 2009 Bonds are subject to extraordinary and optional redemption prior to maturity as follows:

(1) Extraordinary Redemption. The Series 2009 Bonds shall be redeemed from Surplus Pledged Revenues (hereinafter defined) and from proceeds of the Series 2009 Bonds not needed for the purposes intended on any interest payment date, in whole or in part, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order of maturity and by lot within a maturity in such manner as the Trustee shall determine. "Surplus Pledged Revenues" are all collections of the Pledged Revenues in excess of the amount necessary to (a) insure the prompt payment of the principal, interest on and Trustee's and administrative fees and expenses in connection with the Series 2008 Bonds and Series 2009 Bonds, (b) maintain the debt service reserve in the required amount and (c) pay any arbitrage rebate due under Section 148(f) of the Code.

If there are no Series 2008 Bonds outstanding, the County shall apply 100% of the Surplus Tax Receipts to the redemption of the Series 2009 Bonds. If Series 2008 Bonds remain outstanding, the County shall use 86% of Surplus Pledged Revenues to redeem the Series 2008 Bonds and 14% of Surplus Pledged Revenues to redeem the Series 2009 Bonds.

In case of any defeasance of the Series 2009 Bonds, redemption of defeased Series 2009 Bonds shall be scheduled on the basis of mandatory redemption requirements and assuming annual collections of the Pledged Revenues in an amount equal to receipts for the most recent twelve-month period.

(2) Optional Redemption. The Series 2009 Bonds may be redeemed at the option of the County on and after June 1, 2014, in whole at any time, or in part on any interest payment date, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Series 2009 Bonds shall be called for redemption, the particular maturities to be redeemed shall be selected by the County in its discretion. If fewer than all of the Series 2009 Bonds of any one maturity shall be called for redemption, the particular Series 2009 Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

In the case of any redemption of Series 2009 Bonds prior to maturity, the Trustee shall mail a copy of the redemption notice to the registered owners of the Series 2009 Bonds to be redeemed, in each case not less than 30 nor more than 60 days prior to the date of redemption. After the date for redemption no further interest shall accrue on any Series 2009 Bond called for redemption if funds for redemption of such Series 2009 Bond have been deposited with the Trustee as provided in the Authorizing Ordinance.

Notwithstanding the above, so long as the Series 2009 Bonds are issued in book-entry only form, if fewer than all the Series 2009 Bonds of an issue are called for redemption, the particular Series 2009 Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the Series 2009 Bonds are issued in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee for DTC. **The Trustee will not give any notice of redemption to the Beneficial Owners of the Series 2009 Bonds.**

Purposes for Series 2009 Bonds. The Series 2009 Bonds are being issued to finance a portion of the costs of the acquisition, construction, furnishing and equipping of the Improvements, which consist of an auditorium and community conference center, to provide a debt service reserve and to pay expenses of issuing the Series 2009 Bonds. The Improvements include particularly, without limitation, an auditorium, banquet space, conference and meeting rooms, office space, a kitchen and an outdoor amphitheater and any necessary land acquisition and parking, utility and road improvements related thereto or in support thereof. Construction of the Improvements is expected

to commence on May 1, 2009 and to be completed in November 2010. The Series 2008 Bonds were also issued to finance a portion of the costs of the Improvements.

The proceeds of the Series 2009 Bonds (excluding accrued interest) are expected to be used to pay costs of the Improvements, to provide a debt service reserve and to pay the costs of issuance as follows:

Proceeds	
Principal Amount	\$1,355,000
Original Issue Premium	<u>19,685</u>
TOTAL PROCEEDS	\$1,374,685
Uses	
Costs of Improvements	\$1,177,242
Debt Service Reserve	135,500
Underwriter's Discount	27,100
Costs of Issuance	31,500
Contingency	<u>3,343</u>
TOTAL USES	\$1,374,685

The payment of Underwriter's discount and the costs of issuing the Series 2009 Bonds relating to the payment of professional fees will be contingent on the Series 2009 Bonds being issued. See **MISCELLANEOUS, Underwriting**, for a description of the Underwriter's discount. The County will deposit the net proceeds of the Series 2009 Bonds (principal amount plus original issue premium less Underwriter's discount, debt service reserve deposit and certain issuance costs) into a special fund held by the Trustee and designated "2009 Auditorium and Conference Center Construction Fund" (the "Construction Fund"). Moneys contained in the Construction Fund will be disbursed by the County solely for payment of costs of the Improvements, paying necessary expenses incidental thereto and paying expenses of issuing the Series 2009 Bonds. Disbursements shall be on the basis of requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. For a description of how the Series 2009 Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE AUTHORIZING ORDINANCE, Investments**.

Security. The Series 2009 Bonds are not general obligations of the County but are special obligations, secured by a first and prior pledge of collections of the Pledged Revenues which consist of all collections of the 0.75% Tax and collections of the 0.25% Tax for the first 18 months (i.e., collections from December 2008 through May 2010) and one-half of the collections of the 0.25% Tax thereafter. Pledged Revenues shall be used to pay the scheduled principal of and interest on the Series 2008 Bonds and the Series 2009 Bonds, maintain a debt service reserve, redeem Series 2008 Bonds and Series 2009 Bonds prior to maturity, and to pay Trustee's and other administrative charges, to pay any arbitrage rebate due under Section 148(f) of the Code, and to maintain the debt service reserve, hereinafter described, at the required level. The Series 2009 Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE**.

A debt service reserve will be maintained in the Bond Fund in an amount equal to the lesser of (a) 10% of the principal amount of the Series 2008 Bonds and the Series 2009 Bonds as originally issued, (b) the maximum annual principal and interest requirement on the Series 2008 Bonds and

the Series 2009 Bonds or (c) 125% of the average annual principal and interest requirement on the Series 2008 Bonds and the Series 2009 Bonds. The debt service reserve was initially funded with proceeds of the 2008 Bonds and will be increased with proceeds of the Series 2009 Bonds. See **THE AUTHORIZING ORDINANCE, The Bond Fund**.

At the election held March 11, 2008, there was approved by the voters the issuance of sales and use tax bonds in the aggregate principal amount of \$11,600,000 to finance the Improvements. The Series 2008 Bonds were issued in the principal amount of \$10,000,000. The County will forego its right to issue any additional bonds under the Authorizing Ordinance except for purposes of refunding the Series 2008 Bonds and the Series 2009 Bonds.

THE COUNTY

Generally. The County is located in southwest Arkansas approximately halfway between Little Rock, Arkansas and Dallas, Texas. The county seat of the County is Hope, which is approximately 115 miles southwest of Little Rock, Arkansas. Hope is the County seat and largest municipality and has a population of approximately 10,616.

Population. Since 2002, the population trend for the County is as follows:

<u>Year</u>	<u>County Population⁽¹⁾</u>
2002	23,247
2003	23,180
2004	23,090
2005	23,070
2006	23,156

Transportation. The County is served by Interstate 30. Approximately fourteen motor freight carriers make daily shipments from the County to major cities across the United States. The County is served by the Union Pacific and Kiamichi railroads.

Government. The County is administered by a Quorum Court, which is comprised of an elected County Judge and nine elected Justices of the Peace. Justices of the Peace are elected for two-year terms. The current term expires December 31, 2010. The County Judge is the chief executive officer of the County and is a full-time position. The County Judge is Wallace Martin. His current two year term expires December 31, 2010.

Medical Facilities. The County is served by the Medical Park Hospital in Hope, Arkansas which has approximately 91 beds.

Education. Primary and secondary education for the County's inhabitants are provided by a public school system.

⁽¹⁾Bureau of Economic Analysis.

According to the Arkansas Department of Education, public school enrollment in the County has been as follows for the previous five years:

<u>Year</u>	<u>Enrollment</u>
2004	4,016
2005	4,030
2006	3,965
2007	3,925
2008	3,769

Litigation. There is no material litigation pending or threatened against the County.

Bank Deposits. Bank deposits in the County have been as follows for the years indicated⁽¹⁾:

<u>Year (June 30)</u>	<u>Deposits</u>	<u>Average Annual Growth (%)</u>
2003	\$354,206,000	--
2004	357,160,000	0.8
2005	369,227,000	3.4
2006	372,907,000	1.0
2007	383,367,000	2.8

Economy. Set forth below are the characteristics of the major employers (with 50 or more employees) in the County:

<u>Company</u>	<u>Products or Service</u>	<u>Number of Employees</u>
Blevins Schools	Education	130
Brentwood Industries	Plastic Produce Manufacturing	68
City of Hope	Government	104
CMC Joist & Deck	Steel Manufacturing	325
CMC Steel Products	Commercial Metals Manufacturing	55
Federal Emergency Management Agency	Trailer Storage Facility	50
First National Bank	Financial Institution	50
Government Sewing and Apparel	Apparel Manufacturing	55
Hempstead County	Government	145
Hope School District	Education	450
John Turk Power Plant	Electric Power Plant	500
Medical Park Hospital	Health Care	302
Rainbow of Challenges	Habilitation and Education for Developmentally Disabled	336
Springhill School District	Education	71
Super 1 Foods	Grocery Store	54
Temple Inland Forest Products	Particle Board Production	95
Tyson Foods	Food Processing	1,001
University of Arkansas Community College at Hope	Higher Education	180
Wal-Mart	Retail	298

⁽¹⁾Source: Arkansas State and County Economic Data. University of Arkansas at Little Rock, Arkansas Institute for Economic Advancement, College of Business Administration. December 2007.

Additional Economic Data. Per capita personal income estimates for the County are as follows⁽¹⁾:

<u>Year</u>	<u>Per Capita Personal Income</u>	<u>Average Annual Growth (%)</u>
2002	\$19,953	--
2003	20,859	4.5
2004	22,008	5.5
2005	22,123	0.5
2006	22,592	1.0

Total personal income estimates for the County are as follows⁽¹⁾:

<u>Year</u>	<u>Total Personal Income</u>	<u>Average Annual Growth (%)</u>
2002	\$463,850,000	--
2003	483,505,000	4.2
2004	508,168,000	5.1
2005	510,385,000	0.4
2006	523,148,000	2.5

Set forth below is a breakdown of retail sales in the County⁽²⁾:

<u>Year</u>	<u>Retail Sales</u>	<u>Average Annual Growth (%)</u>
1990	\$102,538,000	--
1995	166,908,000	10.3
2007	244,372,000	3.2

The annual average unemployment rates for the County and the State since 2004 are as follows according to the Arkansas Department of Workforce Services:

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>	
	<u>County</u>	<u>State</u>
2004	5.9	5.6
2005	5.6	5.1
2006	5.5	5.3
2007	6.0	5.4
2008*	6.0	6.0

As of December 2008.

⁽¹⁾Bureau of Economic Analysis.

⁽²⁾Source: Arkansas State and County Economic Data. University of Arkansas at Little Rock, Arkansas Institute for Economic Advancement, College of Business Administration. December 2007.

Assessed Valuation. The total assessed valuation for the real and personal property in the County for the years indicated below is as follows⁽¹⁾:

<u>Year</u>	<u>Total Assessed Valuation</u>	<u>Average Annual Growth (%)</u>
1970	\$19,006,000	--
1980	44,381,000	8.9
1990	122,354,000	10.7
2000	157,286,000	2.5
2007	228,569,000	5.5

THE TAXES

Generally. The Taxes are levied as follows: the 0.25% Tax under Ordinance No. 2007-41, adopted December 27, 2007, under the authority of Title 26, Chapter 74, Subchapter 2 of the Arkansas Code of 1987 Annotated; and the 0.75% Tax under Ordinance No. 2007-43, adopted December 27, 2007, under the authority of the Authorizing Legislation. The Taxes took effect on October 1, 2008. The 0.75% Tax will expire on the earlier of December 31, 2019 or the first date on which the Tax can be administratively removed when there are sufficient funds to pay in full any outstanding Series 2008 Bonds and Series 2009 Bonds. The 0.25% Tax has no expiration date and cannot be terminated while the Series 2008 Bonds and the Series 2009 Bonds are outstanding.

The Streamline Sales and Use Tax Agreement ("Streamline") has been adopted by the State and became effective on January 1, 2008. Streamline amended Arkansas sales and use tax law to allow the State to collect sales and use taxes from internet sales from vendors outside the State. Streamline limits the collection of the local sales and use tax on the first \$2,500 of sales proceeds only on the following sales: motor vehicles, aircraft, watercraft, modular homes, manufactured homes or mobile homes. There is no limit of the amount of local sales and use tax to be paid on all other items. The State allows businesses, nonprofits and governmental entities to file for a credit or rebate on a local sales and use tax if the amount on an invoice totals more than \$2,500 on certain qualified purchases. Claims for credit or rebates must be filed with the Arkansas Department of Finance and Administration ("DF&A") within six (6) months from the date of purchase or six (6) months from the date of payment, if later. DF&A will then cause the State Treasurer to withhold the amount of the refund from future disbursements to the local government levying the sales and use tax. Prior to January 1, 2008, sales and use taxes were collected on the first \$2,500 of sales proceeds for each single transaction, as defined by the County. The County cannot predict the future impact of Streamline on Tax receipts.

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 County 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;

⁽¹⁾Source: Arkansas State and County Economic Data. University of Arkansas at Little Rock, Arkansas Institute for Economic Advancement, College of Business Administration. December 2007.

(c) (i) Service by telephone, telecommunications and telegraph companies to subscribers or users, including transmission of messages or images, whether local or long distance, including all service, installation, construction and rental charges having any connection with transmission of any message or image;

(ii) Service of furnishing rooms, suites, condominiums, townhouses, rental houses or other accommodations by hotels, apartment hotels, lodging houses, tourist camps, tourist courts, property management companies, or any other provider of accommodations to transient guests;

(iii) Service of cable television, community antenna television, and any and all other distribution of television, video, or radio services with or without the use of wires provided to subscribers, paying customers or users, including installation, service, rental, repair and other charges having any connection with the providing of the said services;

(iv) 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 sheet metal, mechanical tools and shop equipment; however, the tax does not apply to (A) coin operated car washes, (B) the maintenance or repair of railroad parts, railroad cars and equipment brought into the County solely and exclusively for the purpose of being repaired, refurbished, modified, or converted within the County, (C) the service of alteration, addition, cleaning, refinishing, replacement or repair of commercial jet aircraft or commercial jet aircraft components or subcomponents, (D) the repair or remanufacture of industrial metal rollers or platens that have a remanufactured non-metallic material covering on all or a part of the roller or platen surface, or (E) the initial installation, alteration, addition, cleaning, refinishing, replacement or repair of non-mechanical, passive or manually operated components of buildings or other improvements or structures affixed to real estate;

(v) Service of providing transportation or delivery of money, property or valuables by armored car; service of providing cleaning or janitorial work; service of pool cleaning and servicing; pager services; telephone answering services; landscaping and non-residential lawn care services; service of parking a motor vehicle or allowing a motor vehicle to be parked; service of storing a motor vehicle; service of storing furs; and the service of 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, to athletic, entertainment, recreational events, or fees for the privilege of having access to or the use of amusement, entertainment, athletic or recreational facilities, including free or complimentary passes and tickets, admissions, dues or fees;

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

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

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

(i) 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;

(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.

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 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 and special fuel or petroleum products sold for consumption by vessels, barges and other commercial watercraft and railroads;

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

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

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

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

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

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

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

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

(r) Unprocessed crude oil;

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

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

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

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

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

- (x) Prescription drugs by licensed pharmacists, hospitals, oncologists or dispensing physicians, and oxygen sold for human use on prescription of a licensed physician;
- (y) Property or services to humane societies;
- (z) Vessels, barges and towboats of at least fifty tons load displacement and parts and labor used in the repair and construction of the same;
- (aa) Property or sales to all orphans' homes, or children's homes, which are not operated for profit and whether operated by a church, religious organization or other benevolent charitable association;
- (bb) Agricultural fertilizer, agricultural limestone and agricultural chemicals;
- (cc) Sale of tickets or admissions, by municipalities, to places of amusement, to athletic entertainment, recreational events, or fees for the privilege of having access to or the use of amusement, entertainment, athletic or recreational facilities, including free or complimentary passes, tickets, admissions, dues or fees;
- (dd) Rental and/or lease of specialized equipment used in the filming of a motion picture;
- (ee) New and used farm machinery and equipment;
- (ff) New automobiles to a veteran of the United States Armed Services who is blind as a result of a service connected injury;
- (gg) Motor vehicles sold to municipalities, counties, school districts, and state supported colleges and universities;
- (hh) School buses sold to school districts and, in certain cases, to other purchasers providing school bus service to school districts;
- (ii) 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) Foodstuffs 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 chlor-alkali manufacturing process; and

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

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 County 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 County solely and exclusively for refurbishing, conversion, or modification within the County or storage for use outside or inside the County regardless of the length of time any such property is so stored in the County. 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; 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) Foodstuffs 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 Revenue Fund. See **THE AUTHORIZING ORDINANCE, The Revenue Fund.**

Historical Tax Receipts. The Trustee began receiving collections of the Tax in December 2008, which is not sufficient to demonstrate the County's historical tax receipts. The County currently also collects additional sales and use taxes at an aggregate rate of 1.75% (collectively, the "1.75% Tax"). Actual collections of the 1.75% Tax and a calculation of the Pledged Revenues based on the 1.75% Tax have been as follows since 2004:

<u>Year</u>	<u>1.75% Tax Collections</u>	<u>Calculation of Pledged Revenues for 1st 18 Months Based on 1.75% Tax Collections</u>	<u>Calculation of Pledged Revenues After 1st 18 Months Based on 1.75% Tax Collections</u>
2004	\$3,704,477	\$2,116,844	\$1,852,239
2005	3,895,898	2,226,227	1,947,949
2006	4,008,743	2,290,710	2,004,372
2007	4,037,856	2,307,346	2,018,928
2008	4,741,293	2,709,310	2,370,646

Actual collections of the 1.75% Tax received by the County for the 12-month periods ended January 31, 2005 through 2009 and a calculation of the Pledged Revenues based on the 1.75% Tax for these time periods are as follows:

<u>Year</u>	<u>1.75% Tax Collections</u>	<u>Calculation of Pledged Revenues for 1st 18 Months Based on 1.75% Tax Collections</u>	<u>Calculation of Pledged Revenues After 1st 18 Months Based on 1.75% Tax Collections</u>
2005	\$3,716,528	\$2,123,730	\$1,858,264
2006	3,922,820	2,241,611	1,961,410
2007	4,002,232	2,286,990	2,001,116
2008	4,045,979	2,311,988	2,022,989
2009	4,791,893	2,738,225	2,395,946

Tax Receipts. Tax receipts will be contingent upon the sale and use of property and services within the County, which activity is generally dependent upon economic conditions within the County. Also, Tax receipts may be affected by changes to transactions exempted from the Taxes made by legislation adopted by the General Assembly of the State or by the people of the State in the form

of a constitutional amendment or initiated act. In the past the General Assembly of the State has considered new exemptions to the Taxes, such as food sales, which, if adopted, would materially reduce Tax receipts. The County has no control over actions of the General Assembly or the people of the State and cannot predict whether changes to the Taxes may be made. In addition, the County cannot fully predict the future impact of Streamline which went into effect on January 1, 2008. Accordingly, the County cannot predict with certainty the expected amount of Tax receipts to be received and, therefore, there can be no assurance that Pledged Revenues will be sufficient to pay the principal of and interest on the Series 2009 Bonds.

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. The County will covenant as set forth below in the Authorizing Ordinance. **Unless the context clearly indicates otherwise, all references under this heading to the "Bonds" shall include the Series 2008 Bonds and the Series 2009 Bonds.**

The Revenue Fund. The Trustee shall deposit all collections of the Taxes as and when received by it into a special fund of the County in the Trustee which is created by the Authorizing Ordinance and designated "Sales and Use Tax Revenue Fund" (the "Revenue Fund"). There is created in the Revenue Fund the following accounts: Bond Account and College Purposes Account. The Pledged Revenues shall be deposited into the Bond Account. After the first 18 months of collections, the half of the 0.25% Tax which is not Pledged Revenues shall be deposited into the College Purposes Account. Moneys in the Bond Account in the Revenue Fund shall be applied each month in the following order of priority:

- (1) 1/6 of the interest on the Bonds next due - Debt Service Account in the Bond Fund; and
- (2) 1/12 of the principal of the Bonds next due at maturity or upon mandatory sinking fund redemption - Debt Service Account in the Bond Fund; and
- (3) the Trustee's fees and expenses and other administrative expenses next due - Expense Account in the Bond Fund; and
- (4) the amount which may be necessary to increase the Debt Service Reserve Account to the required level - Debt Service Reserve Account in the Bond Fund; and
- (5) the amount necessary to pay any arbitrage rebate due the United States Treasury under Section 148(f) of the Code - Expense Account in the Bond Fund; and
- (6) balance - the Redemption Account in the Bond Fund.

The deposits made into the Debt Service Account in the Bond Fund shall be reduced in order to take into account as a credit (a) interest earnings, (b) accrued interest deposited therein from Bond proceeds and (c) transfers from the Debt Service Reserve Account. The monthly deposits made into the Debt Service Account shall be adjusted as needed (a) so that approximately level payments are made in order to make the first two debt service payments on each series of Bonds and (b) in order to make up any deficiencies in prior months' deposits.

Moneys in the College Purposes Account in the Revenue Fund shall be transferred within five (5) days of receipt by the Trustee to the County to be used for College Purposes.

The Bond Fund. There is created by the Authorizing Ordinance a special fund of the County in the Trustee which is designated "Sales and Use Tax Bond Fund" (the "Bond Fund") for the purpose of providing funds for the payment of principal of and interest on the Bonds as they become due at maturity or at redemption prior to maturity, and the Trustee's fees and expenses and other administrative expenses and any arbitrage rebate due under Section 148(f) of the Code. There shall be established in the Bond Fund the following accounts into which moneys shall be deposited: (i) Debt Service Account; (ii) Debt Service Reserve Account; (iii) Redemption Account; and (iv) Expense Account. Except as otherwise provided in the Authorizing Ordinance, moneys in the following Bond Fund accounts shall be used on each interest payment date in the following order of priority as and when necessary:

- (1) to pay the interest on the Bonds then due - Debt Service Account; and
- (2) to pay the principal of the Bonds then due at maturity or upon mandatory sinking fund redemption - Debt Service Account; and
- (3) to pay the Trustee's fees and expenses and other administrative expenses then due - Expense Account; and
- (4) to pay the amount which is payable as arbitrage rebate to the United States Treasury under Section 148(f) of the Code - Expense Account; and
- (5) to redeem Bonds prior to maturity - Redemption Account.

There shall also be established and maintained in the Bond Fund a Debt Service Reserve Account which shall be funded with proceeds of the Bonds in an amount equal to the lesser of (a) 10% of the principal amount of the Bonds as originally issued, (b) the maximum annual principal and interest requirements on the Bonds or (c) 125% of the average annual principal and interest requirements on the Bonds (the "required level"). The Debt Service Reserve Account shall be replenished with Pledged Revenues as described above. Moneys in the Debt Service Reserve Account shall be used to make the payments described in clauses (1) and (2) above if moneys in the Debt Service Account in the Bond Fund are not otherwise sufficient for that purpose. Moneys in the Debt Service Reserve Account over and above the required level shall be immediately transferred from the Debt Service Reserve Account into the Debt Service Account in the Bond Fund. Moneys in the Debt Service Reserve Account shall be used to make the final payment of principal and interest on the Bonds.

When the moneys in the Bond Fund shall be and remain sufficient to pay (1) the principal of all the Bonds then outstanding, (2) interest on the Bonds until the next interest payment date, (3) the Trustee's fees and expenses and other administrative charges and (4) any arbitrage rebate due the United States Treasury under Section 148(f) of the Code, there shall be no obligation to make any further payments into the Bond Fund and any Pledged Revenues remaining in the Bond Fund after the principal of, premium, if any and interest on the Bonds have been paid may be used by the County for any lawful purpose.

Investments. (a) Moneys held for the credit of the Construction Fund may be invested and reinvested at the direction of the County, and in the Trustee's discretion in the absence of any direct instructions from the County, in Permitted Investments or other investments from time to time permitted by law which shall mature, or which shall be subject to redemption by the holder thereof, at the option of

such holder, not later than the date or dates when such money will be required for the purposes intended.

(b) Moneys held for the credit of the Debt Service Reserve Account shall be invested and reinvested at the direction of the County, and in the Trustee's discretion in the absence of any direct instructions from the County, in Permitted Investments, with maturities not longer than (1) ten (10) years after the date of investment or (2) the final maturity date of the outstanding Bonds, whichever is earlier.

(c) Moneys held for the credit of the Bond Fund (other than the Debt Service Reserve Account) and the Revenue Fund shall be invested and reinvested at the direction of the County, and in the Trustee's discretion in the absence of any direct instructions of the County, in Permitted Investments, 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.

(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

(e) "Permitted Investments" are defined to mean

(i) direct obligations of the United States of America (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America ("Government Securities") or (ii) in time deposits or certificates of deposit of banks, including the Trustee, which are insured by the Federal Deposit Insurance Corporation ("FDIC"), or, if in excess of insurance coverage, collateralized by securities authorized by State law to secure public funds, or (iii) savings accounts, deposit accounts or money market deposits in banks, including the Trustee, which are fully insured by the FDIC, or (iv) money market funds comprised exclusively of Government Securities.

Certain Covenants. The County covenants that: (a) 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 Pledged Revenues directly or indirectly in such manner as to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code.

(b) It will not use or permit the use of the Improvements or the proceeds of the Bonds in such manner as to cause the Bonds to be private activity bonds within the meaning of Section 141 of the Code.

(c) It will faithfully and punctually perform all duties with reference to the Taxes and the Bonds, required by the Constitution and laws of the State and by the Authorizing Ordinance, including the collection of the Taxes, as therein specified and covenanted, the segregating of the Pledged Revenues and the applying of the Pledged Revenues as provided in the Authorizing Ordinance.

(d) It will make any arbitrage rebate payment due the U.S. Treasury under Section 148(f) of the Code from moneys in the Bond Fund or in the Construction Fund.

Defaults and Remedies. If there be any default in the payment of the principal of and interest on the Bonds, or if the County defaults in the performance of any covenant contained in the Authorizing Ordinance, the Trustee may, and upon the written request of the owners of not less than 10% in principal amount of the Bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the County and officials of the State, under the Authorizing Ordinance, to 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 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. No 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 in principal amount 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 or redemption price 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 moneys sufficient to make such payment and/or Government Securities which are direct obligations of the United States of America maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

On the payment of any 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 and/or Government Securities.

In the case of any defeasance of the Bonds, redemption of defeased Bonds shall be scheduled on the basis of the mandatory redemption requirements and assuming annual collections of the Pledged Revenues in an amount equal to receipts for the most recent twelve-month period.

When all the Bonds shall have been paid within the meaning of the Authorizing Ordinance, if any arbitrage rebate has been paid or provided for to the satisfaction of the Trustee and if the Trustee has been paid its fees and expenses or provision has been made therefor, 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 such Bonds, to be paid over or delivered to or at the direction of the County.

Additional Parity Bonds. The County covenants that it will not issue any additional bonds or incur any additional obligation, secured by a lien on or pledge of the Pledged Revenues. Notwithstanding the above, nothing shall be construed to prohibit the County from refunding any Bonds and pledging Pledged Revenues to the refunding bonds on a parity with the non-refunded Bonds.

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 in the Authorizing Ordinance and in the Bonds are the recitals of the County 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 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 60 days' notice in writing to the County and the owners of the Bonds, and the majority in principal amount of the owners of the outstanding Bonds or the County, so long as it is not in default under the Authorizing Ordinance, may at any time, with or without cause, remove the Trustee. In the event of a vacancy in the office of Trustee either by resignation or by removal, the County shall forthwith designate a new Trustee. 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 County, 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 County 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. The owners of not less than 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 County 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 75% of the owners of the aggregate principal amount of Bonds outstanding that the Trustee determines is not to the material prejudice of the owners of the Bonds or 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 of interest thereon, or (c) the creation of a pledge of the Pledged Revenues other than a pledge created or permitted 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.

CONTINUING DISCLOSURE AGREEMENT

Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of the provisions. The County is not in default in any material respect under any of its continuing disclosure agreements with respect to outstanding indebtedness of the County.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is executed and delivered by the County and the Trustee for the benefit of the Beneficial Owners of the Series 2009 Bonds and in order to assist the 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:

“Annual Report” shall mean any Annual Report provided by the County pursuant to, and as described in, the Continuing Disclosure Agreement.

“Beneficial Owner” of a Series 2009 Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2009 Bonds (including persons holding Series 2009 Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the County 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.

“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 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.

Provision of Annual Report. (a) The County shall, or cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the County’s fiscal year (presently December 31), commencing with the report after the end of the 2009 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted not less than thirty (30) days after receipt thereof by the County. If the County’s fiscal year changes, it shall give notice of such change in the manner as for a Listed Event.

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the County shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the County and the Dissemination Agent to determine if the County is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Trustee shall send a notice to each Repository and the Municipal Securities Rulemaking Board.

Content of Annual Reports. The County’s Annual Report shall contain or incorporate by reference the following:

1. Information of the type set forth in this Official Statement under the caption “THE COUNTY” with respect to (i) County population in the latest year for which available and the four previous years for which figures are available; (ii) unemployment rates for the County and State in the latest year for which available and the four (4) previous years; and (iii) major employers in the County on the date of the report.

2. Receipts of Pledged Revenues and the rate of tax producing the same for the latest calendar year and the four (4) previous years, if available.

3. The annual audit of the County prepared in accordance with Government Auditing Standards issued by the Comptroller General of the United States and applicable State law, if available.

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues of the County or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

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

(c) Whenever the Trustee obtains knowledge of the occurrence of a Listed Event (excluding an event described in (a)8 above), whether from notice by the County or otherwise, the Trustee 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 County. In the event of a Listed Event described in (a)8 above, the Trustee 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 Series 2009 Bonds pursuant to the terms of the Authorizing Ordinance. 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 Series 2009 Bonds.

Termination of Reporting Obligation. The County's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Series 2009 Bonds.

Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the 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 County pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

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

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report or 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 Series 2009 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 Series 2009 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 Series 2009 Bonds in the same manner as provided in the Authorizing Ordinance for amendments to the Authorizing Ordinance 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 Series 2009 Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason of the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

Default. In the event of a failure of the County or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the County 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 Series 2009 Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County or the Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the County or the Trustee to comply with the 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 Trustee) and the Trustee in its capacity as Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the County 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 Continuing Disclosure Agreement shall inure solely to the benefit of the County, the Trustee, the Dissemination Agent, the Underwriter and the Beneficial Owners and shall create no rights in any other person or entity.

DEBT SERVICE COVERAGE

Set forth below is the debt service coverage information for the Series 2008 and Series 2009 Bonds. In arriving at the amount of annual Pledged Revenues for this calculation, the County examined its collections of the 1.75% Tax for the year 2008. See **THE TAXES, Historical Tax Receipts**.

Actual Tax receipts collected by the County will depend upon, among other things, the level of retail activity within the County, the economic health of the County, possible future actions by the General Assembly of the State defining transactions subject to the Taxes and granting exemptions from the Taxes, such as exemptions for food sales. The figure set forth below is only an estimate and there can be no assurance that actual Pledged Revenues will equal the amount shown below. See **THE TAXES, Future Tax Receipts**.

Estimated debt service coverage is as follows:

Pledged Revenues Available for Debt Service for First 18 Months ^{(1)(A)}	\$2,709,310
Pledged Revenues Available for Debt Service After First 18 Months ^{(1)(B)}	2,370,646
Maximum Annual Debt Service for the Series 2008 Bonds and Series 2009 Bonds ^{(2)(C)}	1,615,973
Coverage for First 18 Months ^(A/C)	1.68x
Coverage After First 18 Months ^(B/C)	1.47x

⁽¹⁾Based on collections of the 1.75% Tax for the year 2008; 18 month period is from December 2008 through May 2010.

DEBT SERVICE REQUIREMENTS

The following table shows amounts required to pay scheduled principal and interest on the Series 2009 Bonds for each year ending June 1:

Year (Ending June 1)	Series 2009 Bond <u>Principal</u>	Series 2009 Bond <u>Interest</u>	Total Debt Service for Series 2009 Bonds
2010	\$290,000	\$45,208.33	\$335,208.33
2011	220,000	30,050.00	250,050.00
2012	230,000	23,450.00	253,450.00
2013	235,000	16,550.00	251,550.00
2014	240,000	9,500.00	249,500.00
2015	140,000	3,500.00	143,500.00
Totals:	\$1,355,000	\$128,258.33	\$1,483,258.33

The following table shows the amounts required to pay the remaining scheduled principal of and interest on the Series 2008 Bonds and the Series 2009 Bonds during each year ending June 1:

<u>Year Ending June 1</u>	<u>Series 2008 Bond Debt Service</u>	<u>Series 2009 Bond Debt Service</u>	<u>Total Debt Service</u>
2009	\$ 604,552.29		\$604,552.29
2010	1,280,765.00	\$335,208.33	1,615,973.33
2011	1,281,625.00	250,050.00	1,531,675.00
2012	1,285,100.00	253,450.00	1,538,550.00
2013	1,281,432.50	251,550.00	1,532,982.50
2014	1,280,207.50	249,500.00	1,529,707.50
2015	1,281,687.50	143,500.00	1,425,187.50
2016	1,281,450.00		1,281,450.00
2017	1,284,475.00		1,284,475.00
2018	1,285,260.00		1,285,260.00
Totals:	\$12,146,554.79	\$1,483,258.33	\$13,629,813.12

Notwithstanding the scheduled debt service shown in the table above, the County expects to retire the Series 2008 Bonds and the Series 2009 Bonds earlier than scheduled through the use of redemptions from Surplus Tax Receipts (as defined herein). See **THE SERIES 2009 BONDS, Redemption** and **PROJECTED MANDATORY REDEMPTION**.

PROJECTED MANDATORY REDEMPTION

The table under the caption **DEBT SERVICE REQUIREMENTS** does not reflect possible redemptions from the Surplus Pledged Revenues, if available. Surplus Pledged Revenues are derived solely from Pledged Revenues in excess of the amounts needed to pay principal of, interest on, Trustee's fees and expenses and administrative charges, and arbitrage rebate in connection with the Series 2009 Bonds and the Series 2009 Bonds when due and to maintain the Debt Service Reserve Account at its required level. For purposes of estimating the amount of Surplus Pledged Revenues, the County has assumed that there will be no growth in Pledged Revenues. **THERE IS NO GUARANTEE THAT THESE ESTIMATES WILL BE TRUE.** See **THE TAX, Future Tax Receipts**. The Series 2009 Bonds would be paid in full by June 1, 2013 from Surplus Pledged Revenues and moneys in the Debt Service Reserve Account if these estimates are correct, as follows:

<u>Year Ending (June 1)</u>	<u>Principal Due</u>	<u>Series 2009 Bonds Redeemed Prior to Maturity</u>	<u>Total Principal Retired</u>
2010	\$290,000	\$165,000	\$455,000
2011	220,000	130,000	350,000
2012	230,000	135,000	365,000
2013	115,000	70,000	185,000
Total	\$855,000	\$500,000	\$1,355,000

LEGAL MATTERS

Legal Proceedings. There is no litigation pending seeking to restrain or enjoin the Taxes or the issuance or delivery of the Series 2009 Bonds, or questioning or affecting the legality of the Taxes or Series 2009 Bonds or the proceedings and authority under which the Series 2009 Bonds are to be issued, or questioning the right of the County to adopt the Authorizing Ordinance or to issue the Series 2009 Bonds or to pledge the Pledged Revenues.

Legal Opinions. Legal matters incident to the authorization and issuance of the Series 2009 Bonds are subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel.

Tax Exemption. In the opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, under existing law the interest on the Series 2009 Bonds is exempt from all Arkansas state, county and municipal taxes.

In the opinion of Bond Counsel, interest on the Series 2009 Bonds under existing law is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinions set forth in the preceding sentence are subject to the condition that the County comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2009 Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Series 2009 Bonds and the Improvements. Failure to comply with certain of such requirements could cause the interest on the Series 2009 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2009 Bonds. The County has covenanted to comply with all such requirements in the Authorizing Ordinance.

Prospective purchasers of the Series 2009 Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2009 Bonds, (ii) interest on the Series 2009 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income including interest on the Series 2009 Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Series 2009 Bonds.

Prospective purchasers of the Series 2009 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 2009 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2009 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 which (1) is not a "private activity bond" within the meaning of the Code (excluding from that term "qualified 501(c)(3) bonds"), (2) is issued by an issuer (and subordinate entities) which reasonably anticipates to issue not more than \$30,000,000 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 County has designated the Series 2009 Bonds as "qualified tax-exempt obligations" and has covenanted not to use the Improvements and the proceeds of the Series 2009 Bonds in a manner which would cause the Series 2009 Bonds to be "private activity bonds," and has represented that the County and its subordinate entities have not and do not expect to issue more than \$30,000,000 of such tax-exempt obligations during calendar year 2009.

Prospective purchasers of the Series 2009 Bonds should also be aware that Section 17 of Act 785 of the Acts of Arkansas of 1993 added new subsections (b) and (c) to Section 26-51-431 of the Arkansas Code of 1987 Annotated. Subsection (b) states that Section 265(a) of the Internal Revenue Code is adopted for the purpose of computing Arkansas corporation income tax liability. Subsection (c) provides that in computing Arkansas corporation income tax liability, no deduction shall be allowed for interest "on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law." On December 8, 1993, the Arkansas Department of Finance and Administration Revenue Division issued Revenue Policy Statement 1993-2, which provides in part:

Financial institutions may continue to deduct interest on indebtedness incurred or continued to purchase or carry obligations which generate tax-exempt income to the same extent that the interest was deductible prior to the adoption of Section 17 of Act 785 of 1993.

As shown on the cover page of this Official Statement, certain of the Series 2009 Bonds are being sold at an original issue premium (the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of a Premium Bond callable prior to its maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of a Premium Bond should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

MISCELLANEOUS

Underwriting. Under a Bond Purchase Agreement (the "Agreement") entered into by and between the County, as issuer, and Stephens Inc., as underwriter (the "Underwriter"), the Series 2009 Bonds are being purchased at a price of \$1,347,584.60 (principal amount less Underwriter's discount of \$27,100 or 2.0% of par plus original issue premium in the amount of \$19,684.60) plus accrued interest. The Agreement provides that the Underwriter will purchase all of the Series 2009 Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2009 Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the Series 2009 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 County.

The Underwriter intends to offer the Series 2009 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 2009 Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering price.

The County has agreed to indemnify the Underwriter against certain civil liabilities in connection with the offering and sale of the Series 2009 Bonds, including certain liabilities under federal securities laws.

Enforceability of Remedies. Rights of the registered owners of the Series 2009 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 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.

Information in Official Statement. 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 County and the purchasers or owners of any of the Series 2009 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 County.

HEMPSTEAD COUNTY, ARKANSAS

By /s/ Wallace Martin
County Judge

Dated: As of the Cover Page hereof.