

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

\$1,185,000
CITY OF HOT SPRINGS, ARKANSAS
HOTEL AND RESTAURANT GROSS
RECEIPTS TAX BONDS
SERIES 2009

Dated: May 1, 2009

Due: May 1, as shown below

Principal of and interest on the Bonds are payable from a pledge of the receipts derived by the City of Hot Springs, Arkansas (the "City") from a 3% tax levied by the City on gross receipts or gross proceeds from motels, hotels, restaurants, cafes, cafeterias and similar establishments within the City. See **THE BONDS**, Security herein. Interest on the Bonds is payable semiannually on May 1 and November 1 in each year, commencing November 1, 2009, and the Bonds mature (on May 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>	<u>Maturity</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Yield (%)</u>
2010	\$105,000	2.000	1.500	2015	\$120,000	3.125	3.300
2011	105,000	2.250	2.250	2016	125,000	3.375	3.500
2012	110,000	2.500	2.500	2017	125,000	3.500	3.600
2013	115,000	2.750	2.800	2018	130,000	3.625	3.750
2014	115,000	3.000	3.050	2019	135,000	3.800	3.900

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

The 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 Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Bonds will be made by Bank of the Ozarks, Little Rock, Arkansas, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the 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 31, 2009.

No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or other solicitation of an offer to buy, nor shall there be any sale of the Bonds by any persons in any state in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof.

TABLE OF CONTENTS

INTRODUCTION TO OFFICIAL STATEMENT	1
THE BONDS	2
Book-Entry Only System	2
Generally	4
Redemption	5
Purpose for Bonds	5
Security	6
THE CITY AND THE COUNTY	6
General	6
Governmental Organization	6
Executive Officers	7
Economic Data	7
Employment	8
Building Permits	8
Public School Enrollment	8
Arkansas School for Mathematics, Sciences and the Arts	8
Community College	9
Major Employers	9
Medical Facilities	9
Litigation	9
THE TAX	9
Generally	9
The Commission	10
Application of Tax Receipts	11
Future Tax Receipts	11
THE AUTHORIZING ORDINANCE	11
The Revenue Fund	11
The Bond Fund	12
Investments	12
Certain Covenants	13
Defaults and Remedies	13
Defeasance	14
Additional Parity Bonds	15
The Trustee	15
Supplemental Ordinances	15

CONTINUING DISCLOSURE AGREEMENT	16
Purpose of the Continuing Disclosure Agreement	16
Definitions	16
Provision of Annual Report	16
Content of Annual Reports	17
Reporting of Significant Events	17
Termination of Reporting Obligation	18
Dissemination Agent	18
Amendment; Waiver	18
Additional Information	18
Default	19
Duties of Trustee and Dissemination Agent and Right of Indemnity	19
Beneficiaries	19
DEBT SERVICE REQUIREMENTS	19
LEGAL MATTERS	20
Legal Proceedings	20
Legal Opinions	20
Tax Exemption	20
MISCELLANEOUS	22
Underwriting	22
Enforceability of Remedies	22
Information in Official Statement	22

OFFICIAL STATEMENT

\$1,185,000
CITY OF HOT SPRINGS, ARKANSAS
HOTEL AND RESTAURANT GROSS
RECEIPTS TAX BONDS
SERIES 2009

INTRODUCTION TO 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 the City of Hot Springs, Arkansas (the "City") is furnished in connection with the offering by the City of its \$1,185,000 principal amount of Hotel and Restaurant Gross Receipts Tax Bonds, Series 2009, dated May 1, 2009 (the "Bonds"). The Bonds are being issued for the purpose of financing all or a portion of the costs of heating and air conditioning improvements for, and other building improvements to, Mid-America Museum (the "Project").

The City is a city of the first class duly organized under the laws of the State of Arkansas (the "State") and is located in southwestern Arkansas. The City is authorized under Amendment No. 62 to the Constitution of the State ("Amendment 62"), Title 14, Chapter 164, Subchapter 3 of the Arkansas Code of 1987 Annotated and Title 26, Chapter 75, Subchapter 6 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 CITY AND THE COUNTY**.

The Bonds are not general obligations of the City, but are special obligations payable solely from collections of the 3% tax levied by the City on the gross receipts or gross proceeds from motels, hotels, restaurants, cafes, cafeterias and similar establishments in the City (the "Tax"). See **THE TAX and THE BONDS, Security**. The Tax is levied under Ordinance No. 4002 of the City adopted May 21, 1989, as amended by Ordinance No. 4177, adopted October 21, 1991 (collectively, the "Tax Ordinance"). The issuance of the Bonds and the pledging of collections of the Tax (the "Pledged Revenues") to the payment of the principal of and interest on the Bonds was approved at a special election held June 10, 2008. The Bonds are being issued pursuant to and in full compliance with Amendment 62 and the Authorizing Legislation and Ordinance No. 5716 of the City, adopted on March 24, 2009 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

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

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

The Bonds are subject to optional redemption on and after November 1, 2014 and are subject to extraordinary redemption from proceeds of the Bonds not needed for the purposes intended. The Trustee shall give at least thirty (30) days notice of redemption.

The City may issue additional bonds on a parity of security of the Bonds. See **THE AUTHORIZING ORDINANCE, Additional Parity Bonds**.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (iii) the 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 Bonds, and (iv) the Bonds and interest thereon are exempt from all State, county and municipal taxes. See **LEGAL MATTERS, Tax Exemption**.

It is expected that the Bonds will be available for delivery on or about May 5, 2009, through the facilities of the Depository Trust Company in New York, New York.

The City 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, Suite 2300, Little Rock, Arkansas 72201, Attention: Public Finance.

THE BONDS

Book-Entry Only System. The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Bonds. The Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate 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 transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 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 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or 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 City, 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 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 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 City make any representation or warranty regarding the accuracy or completeness thereof.

So long as the Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Bonds for all purposes under the Authorizing Ordinance, including receipt of all principal of and interest on the 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 City 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 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 Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Bonds.

Generally. The Bonds are dated, mature and bear interest as set forth on the cover page hereof. The principal of the Bonds is payable upon presentation and surrender at the principal office of the Trustee. Payment of interest on the 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 City kept by the Trustee on the record date which is the fifteenth day of the calendar month next preceding the calendar month in which such interest payment date falls. All such payments will be made in lawful money of the United States of America.

The 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 Bond is mutilated, lost or destroyed, the City shall, if not then prohibited by law, execute and the Trustee may authenticate a new Bond in accordance with the provisions therefor in the Authorizing Ordinance.

Each 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 Bond or 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 Bond for the privilege of registration, but any owner of any 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 Bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. Neither the City nor the Trustee shall be required to transfer or exchange any Bonds selected for redemption in whole or in part.

The person in whose name any 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 interest of any 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 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 Bonds or the date fixed for redemption of any 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 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 Bonds are subject to extraordinary and optional redemption as follows:

(1) Extraordinary Redemption. The Bonds shall be redeemed from proceeds of the Bonds not needed for the purposes intended on any interest payment date, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee shall determine), in whole or in part, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

(2) Optional Redemption. The Bonds may be redeemed at the option of the City, from funds from any source, on and after November 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 Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular 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 Bonds prior to maturity, the Trustee shall mail a copy of the redemption notice to the registered owners of the 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 Bond called for redemption if funds for redemption of such Bond have been deposited with the Trustee as provided in the Authorizing Ordinance.

Notwithstanding the above, so long as the Bonds are issued in book-entry only form, if fewer than all the Bonds of an issue are called for redemption, the particular Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the 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 Bonds.**

Purpose for Bonds. The Bonds are being issued to finance all or a portion of the costs of the Project. Work on the Project is expected to commence in May 2009 and is expected to be completed on or before March 31, 2010. The City will also fund a debt service reserve and pay costs of issuing the Bonds from Bond proceeds.

The sources and uses of funds to accomplish the Project are estimated by the City as follows:

SOURCES:

Principal Amount of Bonds	\$1,185,000
Net Original Issue Discount	<u>(5,269)</u>
Total Sources	\$1,179,731

USES:

Project Costs	\$1,001,346
Costs of Issuance	35,000
Underwriter's Discount	24,885
Debt Service Reserve	<u>118,500</u>
Total Uses	\$1,179,731

The payment of Underwriter's discount and the fee of Bond Counsel will be contingent on the Bonds being issued. See **MISCELLANEOUS, Underwriting** for a description of the Underwriter's discount. The City will deposit the net proceeds of the Bonds (principal amount less Underwriter's discount, net original issue discount, debt service reserve deposit, certain issuance costs and accrued interest) into a special fund designated "2009 Capital Improvement Construction Fund" (the "Construction Fund"). A depository bank or banks selected by the City shall have custody and control of the Construction Fund. Moneys contained in the Construction Fund will be disbursed by the City solely in payment of Project costs, paying necessary expenses incidental thereto and paying expenses of issuing the Bonds. Moneys in the Construction Fund may also be used to make principal and interest payments if necessary in order to prevent a default in the payment of the principal of and interest on the Bonds. Disbursements shall be on the basis of checks or 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 Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE AUTHORIZING ORDINANCE, Investments**.

Security. The Bonds are not general obligations of the City but are special obligations, secured by a pledge of the Pledged Revenues, which consist of collections of the 3% tax on the gross receipts or gross proceeds from motels, hotels, restaurants, cafes, cafeterias and similar establishments. Pledged Revenues not needed to pay the principal of, interest on and Trustee's fees in connection with the Bonds, to pay any arbitrage rebate due under Section 148(f) of the Code and to maintain the debt service reserve in the required amount may be used for any lawful purpose. The 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 maximum annual debt service requirements on the Bonds or 10% of the original principal amount of the Bonds, whichever is lesser. See **THE AUTHORIZING ORDINANCE, The Bond Fund**.

THE CITY AND THE COUNTY

General. The City is organized under the laws of the State as a city of the first class. The City is the county seat of Garland County (the "County") and is located in the southwest portion of the State, approximately 55 miles southwest of Little Rock, Arkansas.

Governmental Organization. The City has the City Manager form of government under which the City is governed by a Board of Directors consisting of seven elected directors serving staggered four year terms. Members of the Board of Directors of the City, including the Mayor, their principal occupations and their terms are as follows:

<u>Name</u>	<u>Principal Occupation</u>
Mike Bush, Mayor	Retired
Peggy Brunner-Maruthur	Landlord
Tom Daniel	Self-Employed
Elaine Jones	Kroger Company
Carroll Weatherford	Building Contractor
Rick Ramick	Self-Employed
Cynthia Keheley	Self-Employed

Executive Officers. The principal officers of the City are employed by the Board of Directors. The present officers include:

City Manager	Lance Hudnell
City Clerk	Lance Hudnell
City Attorney	Brian W. Albright
Finance Director	Dorethea Yates
Treasurer	Dorethea Yates

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

<u>Year</u>	<u>Per Capita Income</u>	<u>Average Annual Growth (%)</u>
2002	\$24,699	--
2003	25,173	1.9
2004	26,739	6.2
2005	28,592	6.9
2006	30,400	6.3

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

<u>Year</u>	<u>Total Personal Income</u>	<u>Average Annual Growth (%)</u>
2002	\$2,226,841,000	--
2003	2,295,945,000	3.1
2004	2,461,379,000	7.2
2005	2,667,023,000	8.3
2006	2,895,653,000	8.6

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

<u>Year</u>	<u>Average Retail Sales</u>	<u>Average Annual Growth (%)</u>
1990	\$622,093,000	--
1995	863,104,000	6.8
2006	1,605,339,000	5.8

(1)Source: Bureau of Economic Analysis.

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

Employment. Set forth below are the annual average unemployment rates for the City, the County and the State since 2004 according to the Arkansas Department of Workforce Services:

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>		
	<u>City</u>	<u>County</u>	<u>State</u>
2004	7.6	6.1	5.6
2005	6.9	5.5	5.1
2006	6.6	5.3	5.3
2007	6.9	5.6	5.4
2008*	7.3	5.9	6.0

*As of December 2008.

Building Permits. The following table shows the number of building permits issued for the last five years:

<u>Year</u>	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
2004	43	132	175
2005	28	130	158
2006	54	117	171
2007	41	154	195
2008	72	112	184

Public School Enrollment. The boundaries of the Hot Springs School District include most of the City. There are six other public school districts in Garland County: Cutter Morning Star, Fountain Lake, Jessieville, Lake Hamilton, Lakeside and Mountain Pine School. Public school enrollment within the County has been as follows:

<u>Year (Ended June 30)</u>	<u>Hot Springs School District</u>	<u>Other County Districts</u>
2008	3,673	10,332
2007	3,669	10,029
2006	3,754	10,044
2005	3,647	9,637
2004	3,529	9,627

Arkansas School for Mathematics, Sciences and the Arts. The City is the site for the Arkansas School for Mathematics, Sciences and the Arts ("ASMSA"). Created by the Arkansas Legislature and funded by the State of Arkansas, the ASMSA is a co-educational residential high school for high school juniors and seniors with special intellectual ability and commitment to scholarship in mathematics and science. ASMSA is located in historic downtown Hot Springs on the site of the former St. Joseph Regional Medical Center. The 16-acre site was renovated by the City in cooperation with various community groups. The City purchased the site and committed in-house resources to the project coupled with over one million dollars of cash, material and labor pledges from the community at large.

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

Community College. National Park Community College is a two-year community college which provides post-secondary education and technical training. The College receives its operating funds from the State of Arkansas. Capital expenditures are provided from ad valorem taxes levied by the National Park Community College District. The Community College District has boundaries which are co-extensive with the boundaries of Garland County, but the District is a separate taxing entity. The College is located on a 50-acre campus near the City and has an enrollment of more than 2,800 students.

Major Employers. The following are the major employers in or near the City and the approximate number of employees (listed are those employing 200 or more):

<u>Employer</u>	<u>Product or Service</u>	<u>Number of Employees</u>
St. Joseph's Mercy Health Center	Health Care	1,972
Oaklawn Park	Horse Racing Track	1,218
Wal-Mart Stores	Department Stores	1,137
City of Hot Springs	Government	615
Hot Springs School District	Education	608
National Park Medical Center	Health Care	600
ACCENT Marketing Services	Marketing	477
REXAM Closures and Containers	Plastics Packaging	410
Xerox Document Imaging Services	Digital Reproduction	400
Arlington Hotel & Spa	Hotel	375
National Park Community College	Secondary Education	364
Garland County	Government	325
Triumph Fabrication	Aircraft Parts and Repair	309
Kroger Stores	Grocery Stores	308
Hot Springs Rehabilitation Center	Rehabilitation	255
Stanley Associates	Professional Services Provider	210
AAR Aircraft Services	Aircraft Maintenance	200
Lake Catherine Footwear/Munro Corp.	Retail Store	200
Window Mart	Retail	200

Medical Facilities. Hot Springs is served by three significant hospital facilities: AMI National Park Medical Center, which is a full service 166-bed medical center; Levi Hospital, which is an 89-bed rehabilitation center; and St. Joseph's Regional Health Center, which is a full service, 317-bed acute care medical facility.

Litigation. There is no material litigation or administrative proceeding pending or threatened against the City.

THE TAX

Generally. Pursuant to Title 26, Chapter 75, Subchapter 6 of the Arkansas Code of 1987 Annotated (the "Tax Legislation") and the Tax Ordinance, the City has levied the Tax which is a 3% tax upon the gross receipts and gross proceeds from hotels, motels, restaurants, cafes, cafeterias and similar establishments within the City.

Pursuant to the Authorizing Legislation, the City has pledged the amounts received from the Tax to the payment of the Bonds. The Advertising and Promotion Commission of the City (the "Commission") has approved such pledge, as required by statute.

The Tax is collected by the Commission, or a designated agent, in the same manner and at the same time as the Arkansas gross receipts tax.

The City has covenanted in the Authorizing Ordinance that the Tax will not be repealed, and the rate of 3% will not be reduced, for so long as there are Bonds outstanding. In addition, the City has further covenanted that all necessary action will be taken, from time to time, to collect the Tax in the full amount due and to apply the Pledged Revenues in the manner provided in the Authorizing Ordinance.

The City estimates that there are approximately 266 businesses from which the Tax is currently being collected as follows:

<u>Type</u>	<u>Number</u>
Motels	56
Restaurants	<u>210</u>
Total	266

Historical collections of the Tax have been as follows:

<u>Year</u>	<u>Total Amount</u>
2004 (audited)	\$3,981,893
2005 (audited)	4,216,732
2006 (audited)	4,432,340
2007 (audited)	4,567,669
2008 (unaudited)	4,636,537

Pledged Revenues received in 2008 were \$4,636,537. Maximum annual debt service on the Bonds is \$145,320 (assuming an average coupon rate of 3.68% on the Bonds). See **DEBT SERVICE REQUIREMENTS**. Accordingly, Pledged Revenues in 2008 exceeded 31.9 times the maximum annual debt service on the Bonds.

The following were the only taxpayers that accounted for more than 5% of the Tax collections in 2008:

<u>Name</u>	<u>Percentage of Collections</u>
Embassy Suites Hotel	5.59%

The Commission. The Commission was created pursuant to the authority of the Tax Legislation and the Tax Ordinance. The Commission is responsible for the advancement and promotion of the City and its environs. The Commission is composed of seven members appointed by the Board of Directors of the City, four of whom are hotel, motel or restaurant owners or managers. Two members are also members of the Board of Directors of the City. The remaining member is nominated by the Mayor and must be from the public at large. Members serve staggered terms. The present members of the Commission are as follows:

<u>Name</u>	<u>Representative Position</u>
Charles Moore	At Large
Jeff Purnell	Hotel and Restaurant
Larry Dewitt	Hotel and Restaurant
David Longinotti	Hotel and Restaurant
Kim Gilliam	Hotel and Restaurant
Elaine Jones	Board of Directors
Carroll Weatherford	Board of Directors

Application of Tax Receipts. Once collected by the Commission, or its designated agent, Tax receipts will be deposited into the Revenue Fund (hereinafter identified). Provision will first be made for the payment of debt service on the Bonds by making the necessary deposits into the Bond Fund (hereinafter identified). The balance of the funds shall be transferred to the City's Advertising and Promotion Fund (the "Advertising and Promotion Fund"). Moneys in the Advertising and Promotion Fund will be used for such lawful purposes as are approved by the Commission.

Future Tax Receipts. Tax receipts will be contingent upon the amount of business handled by local hotels, motels and restaurants. Such business activity will generally be dependent upon economic conditions within the City and the surrounding trade area. Accordingly, the City cannot predict with certainty the expected amount of Tax receipts to be received and, therefore, there can be no assurance that Tax receipts will be sufficient to pay the principal of and interest on the 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 City will covenant as set forth below in the Authorizing Ordinance.

The Revenue Fund. All collections of the Tax as and when received shall be deposited into a special fund of the City in a depository selected by the City which is created by the Authorizing Ordinance and designated "Hotel and Restaurant Gross Receipts Tax Revenue Fund" (the "Revenue Fund"). Moneys in the Revenue Fund shall be transferred to the following accounts each month in the following order of priority:

- (1) the Trustee's fees and expenses next due, any arbitrage rebate due the United States Treasury under Section 148(f) of the Code and the fees for any arbitrage rebate calculation - Expense Account in the Bond Fund; and
- (2) 1/6 of the interest on the Bonds next due - Debt Service Account in the Bond Fund; and
- (3) 1/12 of the principal of the Bonds next due - Debt Service Account in the Bond Fund;
- (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) balance - Advertising and Promotion Fund.

The transfers made into the Debt Service Account in the Bond Fund shall be reduced in order to take into account as a credit (1) interest earnings, (2) accrued interest deposited therein from Bond proceeds and (3) transfers from the Debt Service Reserve Account. In addition, the deposits into the Debt Service Account

in the Bond Fund shall be increased in order to provide moneys sufficient to make the first interest and first principal payment on the Bonds.

Moneys in the Advertising and Promotion Fund may be used for any lawful purpose.

The Bond Fund. There is created by the Authorizing Ordinance a special fund of the City in the Trustee which is designated "Hotel and Restaurant Gross Receipts Tax Bond Fund, Series 2009" (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, any arbitrage rebate, the fees for any arbitrage rebate calculation and the Trustee's fees and expenses. There shall be established in the Bond Fund the following accounts into which moneys from the Revenue Fund shall be deposited monthly: (i) Debt Service Account; (ii) Redemption Account; and (iii) Expense Account. 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 Trustee's fees and expenses then due - Expense Account;
- (2) to pay the interest on the Bonds then due - Debt Service Account;
- (3) to pay the principal of the Bonds then due - Debt Service Account; and
- (4) to redeem Bonds prior to maturity - Redemption Account.

In addition, moneys in the Expense Account in the Bond Fund shall be used to pay any arbitrage rebate due under Section 148(f) of the Code and the fees for any arbitrage rebate calculation.

There shall also be established and maintained in the Bond Fund a Debt Service Reserve Account in an amount equal to the maximum annual principal and interest requirements on the Bonds or 10% of the original principal amount of the Bonds, whichever is lesser (the "required level"). The City shall fund the Debt Service Reserve Account with Bond proceeds. Moneys in the Debt Service Reserve Account shall be used to make the payments described in clauses (2) and (3) 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.

When the moneys in the Bond Fund shall be and remain sufficient to pay (1) the principal of the Bonds then outstanding, (2) interest on the Bonds until the next interest payment date, (3) the Trustee's fees and expenses, (4) any arbitrage rebate due under Section 148(f) of the Code and (5) the fees for any arbitrage rebate calculation, 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 for any lawful purpose.

Investments. (a) Moneys held for the credit of the Construction Fund and the Revenue Fund may be invested and reinvested pursuant to the direction of the City in (i) direct or fully guaranteed obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America) ("Government Securities"), (ii) 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 Government Securities or other securities authorized by State law to secure public deposits or (iii) other investments as may, from time to time, be permitted by State law and under the City's investment policy (currently established by Resolution No. 4691) (collectively, "Permitted Investments"), which will mature, or which will be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates needed for the purposes intended.

(b) Moneys held for the credit of the Debt Service Reserve Account shall be invested and reinvested in Permitted Investments, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than five (5) years after the date of investment or the final maturity date of the outstanding bonds, whichever is earlier.

(c) Moneys held for the credit of the Bond Fund (other than the Debt Service Reserve Account) shall be invested and reinvested 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) The Trustee shall invest and reinvest moneys in the Bond Fund and the Debt Service Reserve Account therein pursuant to the direction of the City and in the Trustee's discretion in the absence of any direct instructions from the City.

(e) 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.

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

(g) All investments and deposits shall have a par value (or market value when less than par, exclusive of accrued interest) at all times at least equal to the amount of money credited to such funds and shall be made in such a manner that the money required to be expended from any fund will be available at the proper time or times.

(h) Investments of moneys in all funds shall be valued in terms of current market value as of the last day of each year, except that direct obligations of the United States (State and Local Government Series) in book-entry form shall be continuously valued at par or face principal amount.

Certain Covenants. The City 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 Project 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 Tax and the Bonds, required by the Constitution and laws of the State and by the Authorizing Ordinance, including the collection of the Tax, as therein specified and covenanted, the segregating of the Tax receipts and the applying of the Tax receipts as provided in the Authorizing Ordinance.

(d) It will make any arbitrage rebate payments due the United States Treasury under Section 148(f) of the Code from moneys in the Bond Fund.

Defaults and Remedies. If there be any default in the payment of the principal of and interest on the Bonds, or if the City 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 City 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. All moneys must be insured at all times by FDIC or otherwise collateralized with Government Securities that are direct obligations of the United States of America.

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.

When all the Bonds shall have been paid within the meaning of the Authorizing Ordinance, if the Trustee has been paid its fees and expenses and if payment of any arbitrage rebate under Section 148(f) of the Code has been made or provided for to the satisfaction of the Trustee, 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 City.

Additional Parity Bonds. The City covenants that it will not issue any bonds, or incur any obligation, secured by a lien on or pledge of the Pledged Revenues, except as hereinafter provided. The City may issue bonds or incur obligations on a parity of security with the Bonds ("Additional Parity Bonds") if Pledged Revenues received for the preceding twelve consecutive months are in excess of 125% of the average annual debt service requirements for the Bonds, any outstanding Additional Parity Bonds and the Additional Parity Bonds proposed to be issued.

The City is also authorized to issue bonds or incur obligations secured by a lien on and pledge of the Pledged Revenues subordinate to the lien and pledge in favor of the 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 City and not of the Trustee. The Trustee shall not be required to take any action unless it shall have been requested to do so in writing by the owners of not less than 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 City and the owners of the Bonds, and the majority in principal amount of the owners of the outstanding Bonds or the City, 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 City 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 City, and a copy thereof shall be placed in the bond transcript. Any successor Trustee shall have all the powers herein granted to the original Trustee.

Supplemental Ordinances. The terms of the Authorizing Ordinance constitute a contract between the City and the owners of the Bonds and no variation or change in the undertaking set forth in the Authorizing Ordinance shall be made while any of the Bonds are outstanding, except as hereinafter set forth. 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 City of a supplemental ordinance as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Authorizing Ordinance or in any supplemental ordinance. The Trustee may consent to any change without the consent of 75% of the owners of the aggregate principal amount of Bonds outstanding in order to cure any ambiguity or formal defect or omission in the Authorizing Ordinance or any amendment thereto or if the Trustee determines that such change is not to the material prejudice of the owners of the bonds or in connection with the issuance of any Additional Parity Bonds, 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 Pledged Revenues superior to the pledge created by the Authorizing Ordinance, or (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

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 City is not in default in any material respect under any of its continuing disclosure agreements with respect to outstanding indebtedness of the City.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is executed and delivered by the City and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order to assist the 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 City pursuant to, and as described in, the Continuing Disclosure Agreement.

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

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

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

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

"Repository" shall mean any 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 City shall, or cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the City'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 City 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 City. If the City'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 City 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 City and the Dissemination Agent to determine if the City 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 City's Annual Report shall contain or incorporate by reference the following:

1. Tax receipts for the latest calendar year and the four (4) previous years, if available.
2. The annual audit of the Commission 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 City 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 City 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 City obtains knowledge of the occurrence of a Listed Event (excluding an event described in (a)8 above), the City shall promptly notify the Dissemination Agent (if other than the City) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) Whenever the Trustee obtains knowledge of the occurrence of a Listed Event (excluding an event described in (a)8 above), whether from notice by the City 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 City. 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 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 Bonds.

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

Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the 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 City 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 Bonds, or the type of business conducted;

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

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Bonds in the same manner as provided in the 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 Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the City 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 City. 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 City 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 City 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 City 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 City or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the City or any Beneficial Owner may (and the Trustee, at the request of the Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City 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 City 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 City agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's gross negligence or willful misconduct.

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

DEBT SERVICE REQUIREMENTS

The following table shows amounts required to pay scheduled principal and interest on the Bonds during each year ending May 1:

<u>Year (May 1)</u>	<u>Bond Principal</u>	<u>Bond Interest</u>	<u>Total Debt Service</u>
2010	\$ 105,000	\$ 36,011.26	\$ 141,011.26
2011	105,000	33,911.26	138,911.26
2012	110,000	31,548.76	141,548.76
2013	115,000	28,798.76	143,798.76
2014	115,000	25,636.26	140,636.26
2015	120,000	22,186.26	142,186.26
2016	125,000	18,436.26	143,436.26
2017	125,000	14,217.50	139,217.50
2018	130,000	9,842.50	139,842.50
2019	135,000	5,130.00	140,130.00
Totals:	\$1,185,000	\$225,718.82	\$1,410,718.82

LEGAL MATTERS

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

Legal Opinions. Legal matters incident to the authorization and issuance of the 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, Bond Counsel, under existing law the interest on the Bonds is exempt from all Arkansas state, county and municipal taxes.

Also, in the opinion of Bond Counsel, interest on the 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 City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 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 Bonds and the Project. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

Prospective purchasers of the 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 Bonds, (ii) interest on the 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 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 Bonds.

Prospective purchasers of the 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 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

An exception allows a deduction of 80% of interest expense allocable to "qualified tax-exempt obligations." Under the Code, the term includes any obligation 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 City has designated the Bonds as "qualified tax-exempt obligations" and has covenanted not to use the Project and the proceeds of the Bonds in a manner which would cause the Bonds to be "private activity bonds," and has represented that the City and its subordinate entities have not and do not reasonably expect to issue more than \$30,000,000 of such tax-exempt obligations during calendar year 2009.

Prospective purchasers of the 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 individual 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 front cover of this Official Statement, certain of the Bonds are being sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth on the cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excludable from gross income for federal income tax purposes, as described above.

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

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

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

As shown on the cover page of this Official Statement, certain of the Bonds are being sold at an original issue premium (collectively, 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 Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult 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 City, as issuer, and Stephens Inc., as underwriter (the "Underwriter"), the Bonds are being purchased at a price of \$1,154,845.75 (principal amount less \$24,885 of Underwriter's discount and less \$5,269.25 of net original issue discount) plus accrued interest. The Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial or business condition of the City.

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

Enforceability of Remedies. Rights of the registered owners of the 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 City and the purchasers or owners of any of the Bonds.

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

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

CITY OF HOT SPRINGS, ARKANSAS

By Mike Bush
Mayor

Dated: As of the Cover Page hereof.