



**NEW ISSUE
BOOK-ENTRY ONLY**

RATING: Moody's Investors Service: A1
See "MISCELLANEOUS, **Bond Rating**," herein.

In the opinion of Bond Counsel, under existing law, assuming compliance with certain covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes, (ii) interest on the Bonds is exempt from State of Arkansas income tax and (iii) the Bonds are exempt from property taxes in the State of Arkansas .

OFFICIAL STATEMENT

**\$32,415,000 Siloam Springs School District No. 21 of
Benton County, Arkansas Construction Bonds, Series B**

Dated: March 1, 2009

Due: June 1

The Bonds are limited, general obligations of the Siloam Springs School District No. 21 of Benton County, Arkansas. Interest on the Bonds is payable on June 1 and December 1, commencing December 1, 2009, and the Bonds mature (on June 1 of each year), bear interest and are priced as follows:

\$20,505,000 Serial Bonds

<u>Maturity</u>	<u>Amount</u>	Rate (%)	Price or Yield (%)	<u>Maturity</u>	<u>Amount</u>	Rate (%)	Price or Yield (%)
2010	\$250,000	2.000	1.500	2022	\$ 890,000	4.200	4.300
2011	625,000	2.000	2.000	2023	925,000	4.350	4.450
2012	640,000	3.000	2.125	2024	965,000	4.500	4.600
2013	660,000	3.000	2.350	2025	1,005,000	4.625	4.750
2014	680,000	3.000	2.750*	2026	1,050,000	4.750	4.850
2015	700,000	4.000	2.950*	2027	1,095,000	4.850	4.950
2016	720,000	4.000	3.150*	2028	1,145,000	5.000	5.000
2017	745,000	4.000	3.350*	2029	1,200,000	5.000	5.080
2018	770,000	4.000	3.500*	2030	1,260,000	5.000	5.100
2019	795,000	4.000	3.750*	2031	1,320,000	5.000	5.120
2020	825,000	4.000	4.000	2032	1,385,000	5.000	5.140
2021	855,000	4.000	4.150				

\$4,590,000 5.100% **TERM BONDS** due June 1, 2035 - Yield: 5.20%

\$7,320,000 5.125% **TERM BONDS** due June 1, 2039 - Yield: 5.25%

(Accrued interest from March 1, 2009)

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 BancorpSouth Bank, A Mississippi Banking Corporation, Stuttgart, 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 subject to optional redemption on and after December 1, 2013.

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

The Bonds are offered, subject to prior sale, when, as and if issued and accepted by the Underwriter named below, subject to the approval of legality by Bond Counsel and certain other conditions.



Official Statement dated: March 11, 2009.

***Priced to first optional call date, December 1, 2013.**

No dealer, broker, salesman or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than 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 a solicitation of an offer to buy nor shall there be any offer, solicitation or sale of the Bonds by or to any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that there has been no change in the matters described herein since the date hereof or that the information herein is correct as of any time subsequent to its date.

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INTRODUCTION TO THE OFFICIAL STATEMENT

This introduction to the Official Statement is only a brief description and is subject in all respects to the more complete information contained in the Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the cover page.

Purpose of Official Statement. This Official Statement is provided to furnish certain information in connection with the issuance by Siloam Springs School District No. 21 of Benton County, Arkansas (the "District"), of its Construction Bonds, Series B, dated March 1, 2009, in the aggregate principal amount of \$32,415,000 (the "Bonds").

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

The District. The District is a school district duly established and existing under the Constitution and laws of the State of Arkansas for the purpose of providing public school education for persons residing within the geographic boundaries of the District. See **DESCRIPTION OF THE SCHOOL DISTRICT**.

Security and Source of Payment. The Bonds will be limited, general obligations of the District, secured by a pledge of the proceeds of a continuing debt service tax voted at the 2008 school election specifically for the payment of a total proposed issue in the aggregate principal amount of \$56,565,000 (the "2008 Election Bonds"). The District's Refunding and Construction Bonds, Series A, in the amount of \$10,000,000 were the first part of the 2008 Election Bonds. These Bonds are the second part of the 2008 Election Bonds. The remainder of the 2008 Election Bonds will be sold and delivered at a subsequent date (the "Remaining 2008 Election Bonds"). These Bonds, the Series A Bonds, and the Remaining 2008 Election Bonds will rank on a parity of security. See **BONDS BEING OFFERED**, Security and Source of Payment.

Litigation Over State Funding for Schools. In an Order issued November 9, 1994, the Honorable Annabelle C. Imber held that the existing state funding system for public education violated the equal protection provision of the Arkansas Constitution and violated Article 14, § 1 of the Arkansas Constitution by "failing to provide a general, suitable and efficient system of free public education." Lake View School Dist. No. 25 of Phillips County, Arkansas v. Jim Guy Tucker, Case No. 92-5318 (1994). Judge Imber stayed the effect of her judgment for two years to allow the General Assembly to adopt and implement legislation consistent with her Order. The case was appealed to the Arkansas Supreme Court. The Supreme Court remanded the case back to the Chancery Court to determine whether the system of public school finance was in compliance with Judge Imber's original Order and whether the amount of funding was sufficient to provide all Arkansas students with an adequate education. On May 25, 2001, the Chancery Court ruled that the present system of school funding was inequitable and inadequate under the Arkansas Constitution. On November 21, 2002, the Arkansas Supreme Court affirmed the Chancery Court and held the current school funding system unconstitutional. In order to allow the General Assembly and the Department of Education time to correct the constitutional disability, the Court stayed the issuance of its mandate until January 1, 2004. On January 2, 2004, the Lake View School District, the Class Member, filed a Motion for Writ of Prohibition, requesting that the Supreme Court prohibit the State from spending money until the State corrected the unconstitutional school system. The Class Member also requested that all funds appropriated by the State for the purpose of supporting the school system be held in escrow until the unconstitutional system was corrected. On January 22, 2004, the Supreme Court issued an opinion recalling its mandate and ruling that there had been noncompliance with its November 21, 2002 opinion. As a result, the Court appointed two special masters, charged with the responsibility of overseeing legislative actions regarding school finance. The masters issued their report on April 2, 2004. The Court, on June 18, 2004, released jurisdiction of the case. On April 14, 2005, the Rogers School District of Benton County, Arkansas, asked the Court to reopen

the Lake View case, arguing that lawmakers "reverted back to their old ways" and had failed to follow the Court's mandate to fund public education adequately. The Rogers School District maintained that the Arkansas General Assembly had not increased foundation funding as they had promised in the extraordinary session of 2004. On April 25, 2005, four additional petitions were filed with the Court by a combined 46 districts asking the Court to reopen the Lake View case. On June 9, 2005, the Court once again reopened the case and reappointed the two special masters to assess whether the Governor and the General Assembly had complied with the Lake View ruling. On October 3, 2005, the masters issued their findings and concluded that the General Assembly had not complied with the Lake View ruling and had not made education the State's first priority. The Supreme Court agreed with the masters and held that the General Assembly had retreated from its prior actions to comply with the Court's directives in Lake View and that the public school funding system continued to be inadequate. The Supreme Court further held that the public schools were operating under a constitutional infirmity which must be corrected immediately. The Court stayed the issuance of its mandate until December 1, 2006 to allow the necessary time to correct the constitutional deficiencies. In April 2006, the General Assembly met in special session to address some of the Court's concerns. The General Assembly appropriated more money to the State Department of Education for public school operation and school buildings. The General Assembly, among other things, also increased per-student funding and the minimum teacher salary schedule. On December 1, 2006, the Supreme Court ruled that it would keep jurisdiction over the case and reappointed the two special masters to evaluate whether the State met the constitutional requirements of an adequate and equitable education system. The Court delayed the case deadline for 180 days, to give the State time to provide documents, the masters time to evaluate the State's actions and the Court time to rule. **On May 31, 2007, the Court concluded that the system of public school financing is now in constitutional compliance.**

At the 1996 general election, a Constitutional Amendment was passed ("Amendment No. 74") which establishes a statewide 25-mill property tax minimum for maintenance and operation of the public schools (the "Uniform Rate of Tax"). The Uniform Rate of Tax replaces that portion of local school district ad valorem taxes available for maintenance and operation. The Uniform Rate of Tax is to be collected in the same manner as other school property taxes, but the revenues generated from the Uniform Rate of Tax are remitted to the State Treasurer for distribution to the school districts. The method for distributing the state aid back to the individual school districts, and the authorized uses of the state aid once received by the school districts are set forth in Act 1300 of 1997.

Purpose. The Bonds are being issued to finance capital improvements for the public schools of the District. See **BONDS BEING OFFERED**, Purpose.

Redemption. The Bonds are subject to optional redemption on and after December 1, 2013. The Bonds are also subject to redemption from proceeds of the Bonds not needed for the purposes intended. The Bonds maturing June 1, 2035 and June 1, 2039 (collectively, "Term Bonds"), are subject to mandatory sinking fund redemption as described herein. The Trustee shall give at least thirty (30) days' notice of redemption and shall redeem Bonds in inverse order of maturity (and by lot within a maturity) in such manner as the Trustee may determine. See **BONDS BEING OFFERED**, Redemption.

Denominations and Registration. The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or an integral multiple thereof. Interest is payable December 1, 2009, and semiannually thereafter on each June 1 and December 1. Unless the Bonds are in book-entry form, payment of principal of the Bonds will be made to the owners of the Bonds at the principal office of BancorpSouth Bank, A Mississippi Banking Corporation, Stuttgart, Arkansas (the "Trustee"). Interest is payable by check mailed by the Trustee to the registered owners as of the Record Date (herein defined) for 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 **BONDS BEING OFFERED**, Generally and Book-Entry Only System.

Tax Exemption. In the opinion of Bond Counsel, Friday, Eldredge & Clark, LLP, under existing law, assuming compliance with certain covenants described herein, (i) interest on the Bonds is excluded 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) with respect to corporations, interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax, (iv) interest on the Bonds is exempt from State of Arkansas income tax and (v) the Bonds are exempt from property taxes in the State of Arkansas (see **LEGAL MATTERS, Tax Exemption**).

Fiscal Agent. The District has employed First Security Beardsley Public Finance as fiscal agent to assist the District in the sale and issuance of the Bonds (the "Fiscal Agent"). The fiscal agent is a division of Crews & Associates, Inc. See **MISCELLANEOUS, Interest of Certain Persons**.

Authority. The Bonds are being issued under the authority of the Constitution and laws of the State of Arkansas, including particularly Amendments No. 40 and No. 74 to the Arkansas Constitution and A.C.A. §§ 6-20-1201 *et. Seq.* (Supp. 2007), and a resolution of the Board of Directors of the District (the "Resolution") and approval by the Commissioner of the Department of Education. See **BONDS BEING OFFERED, Authority, and THE RESOLUTION**.

Delivery of Bonds. It is expected that the Bonds will be available for delivery on or about March 26, 2009.

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

BONDS BEING OFFERED

Book-Entry Only System. DTC, 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 only 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 District 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 District 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 District, 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 District 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 District 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 District 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 Resolution 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 Resolution. The District 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 Resolution 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 issuable in the form and denominations and are in the total principal amount shown on the cover page, and will be dated, mature and bear interest as set out on the cover page. The Trustee will maintain books for the registration and transfer of ownership of the Bonds. Interest due on a bond on each interest payment date will be paid to the person in whose name the bond was registered at the close of business on the fifteenth day of the month (whether or not a business day) next preceding the interest payment date (the "Record Date"), irrespective of any transfer of the bond subsequent to the Record Date and prior to the interest payment date. Payment of interest shall be made by check mailed to such registered owner.

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. The transfer instrument must be signed by the registered owner or his attorney-in-fact or legal representative and the signature must be guaranteed by a guarantor acceptable to the Trustee. The transfer instrument shall state the name, mailing address and social security number or federal employer identification number of the transferee. Upon such transfer, the Trustee shall enter the transfer of ownership in the registration books and authenticate and deliver in the name or names of the new registered owner or owners a new fully registered bond or bonds of authorized denomination of the same maturity and interest rate for the aggregate principal amount of the bond transferred.

Authority. The Bonds are being issued under the authority of the Constitution and laws of the State of Arkansas, including particularly Amendments No. 40 and No. 74 to the Arkansas Constitution and Ark. Code Ann. §§ 6-20-1201 *et. Seq.* (Supp. 2007), a resolution of the Board of Directors of the District (the "Resolution") and resolutions of the Arkansas State Board of Education. For a summary of the Resolution, see **THE RESOLUTION**.

Amendments No. 40 and No. 74 to the Arkansas Constitution require the Board of Directors of each school district to prepare and make public not less than sixty days in advance of the annual school election a proposed budget of expenditures for the support of the public schools in the District, together with a rate of tax levy sufficient to provide the funds therefor. The tax rate is divided into (1) maintenance and operation millage, (2) current expenditure millage, (3) continuing debt service millage previously voted for the retirement of existing indebtedness and (4) any additional debt service millage for proposed new bonded indebtedness. If the proposed rate of tax levy is approved at the school election it becomes the rate of tax levy to be collected for the District in the next ensuing calendar year for use in the school fiscal year commencing July 1 of the calendar year in which collected. Debt service millage, once approved, is a continuing levy until retirement of the indebtedness for which voted. Maintenance and operation millage is voted for one year only, except that if the overall rate of tax levy is disapproved in the school election the millage rate for maintenance and operation remains at the rate last approved.

The issuance of bonds by a school district is subject to the approval of the Arkansas State Board of Education, governing body of the Arkansas State Department of Education. The bonds must be offered for public sale, and the offering is subject to the approval of the Commissioner of the State Department of Education. The State Board of Education has approved the issuance of these Bonds and the Commissioner of the State Department of Education has approved the offering of the Bonds for sale. The sale and issuance of the Bonds have been, or will be, authorized by resolution of the Board of Directors of the District, the governing body of the District.

School district bonds may be issued for the purposes of acquiring sites for, building and equipping new school buildings, making additions and repairs to and equipping existing school buildings, purchasing and refurbishing school buses and for the purpose of refunding outstanding indebtedness.

Arkansas law provides that no school district bond may bear interest at a rate in excess of 5% per annum above the Primary Credit Rate on 90-day commercial paper in effect at the Federal Reserve Bank in the Federal Reserve District in which Arkansas is located at the time the bid for the issue of which the Bond is part is accepted (the "Maximum Statutory Rate"). State law also authorizes the State Board of Education to set a maximum rate of interest for school bonds (the "Maximum Lawful Rate") lower than the Maximum Statutory Rate. The Board has set 10% per annum as the Maximum Lawful Rate. Bonds may be sold at a discount, but in no event shall the District be required to pay more than the Maximum Lawful Rate or the Maximum Statutory Rate of interest on the amount received. Bonds may also be sold with the privilege of conversion into bonds bearing a lower rate or rates of interest, provided the District receive no less and pay no more in principal and interest combined than it would receive and pay if the bonds were not converted.

Purpose. The Bonds and the Series A Bonds are being issued to finance a Project described as follows: Erecting, equipping, paving and landscaping a new high school campus, and making improvements, refurbishing, remodeling and equipping existing school facilities. The expected completion date of the Project is June 19, 2011.

Sources and Uses of Funds. The estimated sources and uses of funds for the Project are as follows:

<u>Sources</u>	
Proceeds from Sale of Bonds	\$31,788,560.15
Estimated Investment Earnings*	<u>630,000.00</u>
Total	\$32,418,560.15
<u>Uses</u>	
Constructing and Equipping Project	\$32,334,315.15
Bond Issuance Costs	<u>84,245.00</u>
Total	\$32,418,560.15

*Assuming an interest rate of 2.00% per annum.

For a description of how the Bond proceeds are to be invested pending use, the provisions governing those investments, and the conditions that must be satisfied before the proceeds may be applied to their intended use, see **THE RESOLUTION, Investments**.

Security and Source of Payment. The Bonds will be limited, general obligations of the District, secured by a pledge of (1) the proceeds of a continuing debt service tax voted at the 2008 school election specifically for the payment of a total proposed issue in the aggregate principal amount of \$56,565,000

(the "2008 Election Bonds"), and (2) surplus revenues (being revenues in excess of the amounts necessary to insure the payment when due of principal of, interest on and trustee's and paying agent's fees in connection with the bonds for which voted) derived from debt service taxes heretofore or hereafter voted for payment of other bond issues of the District (subject to prior pledges of such surplus revenues) that may legally be used for the purpose of paying the principal of and interest on the 2008 Election Bonds. The Series A Bonds, in the amount of \$10,000,000, were the first part of the 2008 Election Bonds. These Bonds in the principal amount of \$32,415,000, are the second part of the 2008 Election Bonds. It is anticipated that the Remaining 2008 Election Bonds will be sold and delivered at a subsequent date or dates. The Bonds will rank on a parity of security with the Series A Bonds and the Remaining 2008 Election Bonds.

The tax specifically voted for payment of the 2008 Election Bonds is a tax of 20.0 mills on the dollar of the assessed valuation of taxable property in the District, subject to prior pledges of 7.1 mills pledged to a prior bond issue. See **DEBT STRUCTURE**, Computation of Dollar Amount of Debt Service Tax Levied.

The District reserves the right to refinance all or part of the debt to which 7.1 mills of the tax voted for these Bonds has been previously pledged by issuing refunding bonds, and to pledge to such refunding bonds the debt service tax now pledged to the bonds refunded. If such refunding bonds are issued, the last maturity date of the refunding bonds will be not later than the last maturity date of the bonds refunded. Such refunding bonds will not be issued unless the total amount required to pay principal of and interest on the refunding bonds is less than the total amount required to pay principal of and interest on the bonds refunded.

See **DEBT STRUCTURE**, Outstanding Indebtedness, for a description of other debt and debt service taxes pledged.

In addition to the pledged revenues, the District will also covenant to use for payment of principal of and interest on the Bonds, as and to the extent necessary, all other revenues of the District that may legally be used for the purpose. The District may not legally pay debt service from revenues derived from the tax voted for maintenance and operation of schools.

Any surplus of the pledged revenues over and above the amount necessary to insure the payment as due of principal of, interest on and trustee fees in connection with the Bonds of this issue will be released from the pledge in favor of the Bonds and may be used for other school purposes.

The Bonds are not secured by any lien on or security interest in any physical properties of the District.

Developments. Various elected officials, public interest groups and individuals have indicated publicly that they consider ad valorem property taxation reform to be of significant public interest. At the 2000 general election, the electors of the State voted in favor of a new constitutional amendment ("Amendment No. 79") which does the following:

1. Limits the amount of assessment increases following reappraisal;
2. Limits assessment increases for people who are disabled or who are 65 years of age;
3. Provides for an annual state credit against ad valorem property tax on a homestead;
4. Equalizes real and personal millage rates;
5. Provides that reassessment must occur at least once every five years; and

6. Provides that rollback adjustments under Amendment No. 59 shall be determined after the adjustments are made to assessed value under Amendment No. 79.

The annual state credit began for taxes due in calendar year 2001. The tax reduction is reflected on the tax bill sent to the property owner by the county collector. The taxing units within the county are entitled to reimbursement of the reduction. See **DEBT STRUCTURE**, Computation of Dollar Amount of Debt Service Tax Levied.

Redemption. The Bonds are subject to extraordinary, optional and mandatory sinking fund redemption prior to maturity, as follows:

(1) Extraordinary Redemption. The Bonds must be redeemed from proceeds of the Bonds not needed for the purposes intended, on any interest payment date, in whole or in part, at a 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 may determine).

(2) Optional Redemption. The Bonds are subject to redemption prior to maturity at the option of the District, in inverse order of maturities (less than all of the bonds of a single maturity to be selected by lot by the Trustee in such manner as it may determine), in whole at any time on or after December 1, 2013, or in part on any interest payment date on or after December 1, 2013, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the redemption date.

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on June 1, 2035 and June 1, 2039 are subject to mandatory sinking fund redemption in such manner as the Trustee may determine, on the dates and in the amounts set forth below, at a redemption price equal to the principal amount thereof plus accrued interest to date of redemption:

<u>Bonds Maturing June 1, 2035</u>	
<u>Year</u>	<u>Amount</u>
June 1, 2033	\$1,455,000
June 1, 2034	1,530,000
June 1, 2035 (maturity)	1,605,000

<u>Bonds Maturing June 1, 2039</u>	
<u>Year</u>	<u>Amount</u>
June 1, 2036	\$1,690,000
June 1, 2037	1,780,000
June 1, 2038	1,875,000
June 1, 2039 (maturity)	1,975,000

The District shall be entitled to reduce any mandatory sinking fund redemption obligation in any year with respect to the Term Bonds of any maturity by the principal amount of any such Term Bond previously redeemed or acquired by the District and surrendered to the Trustee.

Notice of early redemption identifying the bonds or portions thereof (which must be \$5,000 or an integral multiple thereof) to be redeemed and the date fixed for redemption shall be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date, by first-class mail, postage prepaid, to all registered owners of bonds to be redeemed. Failure to mail an appropriate notice or any such notice to one or more registered owners of bonds to be redeemed shall not affect the validity of the proceedings for redemption of other bonds as to which notice of redemption is duly given and in proper and timely fashion. All such bonds or portions thereof thus called for redemption shall cease to bear interest on and after the date fixed for redemption, provided funds for redemption are on deposit with the Trustee at that time.

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.

Redemption of Prior Tax Bonds. The District will covenant that it will not, so long as any of these Bonds remain outstanding, redeem, prior to their maturity, any bonds of another issue for the payment of which a specific debt service tax was voted prior to issuance of these Bonds (all such bonds being hereafter referred to as "Prior Tax Bonds") unless, after such redemption, a continuing annual tax of not less than the same number of mills and of not less than the same duration as was pledged to the redeemed bonds remains pledged to these Bonds or other bonds of the District.

Additional Parity Bonds. No additional bonds may be issued on a parity of security with these Bonds, the Series A Bonds and the Remaining 2008 Election Bonds.

Priority Among Successive Bond Issues. Other additional bonds may be issued by the District from time to time in accordance with law for the purpose of financing additional capital improvements. If the District, prior to issuance of these Bonds, has reserved the right to issue additional bonds on a parity of security with previously issued bonds, such additional bonds will have a prior claim and pledge over these Bonds as to all revenues pledged to such additional bonds. See **DEBT STRUCTURE, Parity Debt**, for a description of any authorized and unissued parity debt. Otherwise, any additional bonds shall be subordinate to these Bonds and the pledge of revenues to these Bonds.

DESCRIPTION OF THE SCHOOL DISTRICT

Area. The area of the District is approximately 155 square miles, of which approximately 110 square miles are located in Benton County and approximately 45 square miles in Washington County. The only incorporated municipality located, in whole or in part, within the boundaries of the District is the City of Siloam Springs.

Governmental Organization. The governing body of the District is a Board of Directors, elected for staggered terms at the annual school election. The term of each Director ends at an annual school election, but the Director continues to serve until a successor has been elected and qualified. The present members of the Board of Directors of the District are as follows:

<u>Name</u>	<u>Business or Profession</u>	<u>Term Expires September</u>
Rory McWhorter	School teacher	2009
Brent Butler	Plant manager	2010
Paulita Brooker	University vice president	2011
Brian Lamb	Owner/manager	2012
Louie Thomas	Retired	2013

At the first regular meeting following the annual school election, the Board of Directors elects one of their number President, one of their number Vice President, and also elects a Secretary who may, but need not be, a member of the Board. These officers serve terms of one year. The present officers are: President, Brian Lamb, Vice President, Paulita Brooker, Secretary, Louie Thomas.

The Board of Directors has authority to do all things necessary for the conduct of an efficient public school system in the District.

Executive Officials. All employees of the District are employed by the Board of Directors. The chief executive employee is the Superintendent of Schools. The present Superintendent is Kendall D. Ramey, who has been employed by contract for a term ending June 30, 2011.

Services Provided. The District operates a public school system, consisting of kindergarten and grades 1 through 12, for the purpose of educating the children residing within the District. The principal funding sources for the District are: (1) funds received from the State of Arkansas, (2) ad valorem taxes on the real and tangible personal property located within the boundaries of the District (see **BONDS BEING OFFERED, Developments**), and (3) funds received from the United States of America.

There have been no recent major changes or interruptions in the educational services provided by the District.

School Buildings. The school buildings presently operated by the District are as follows:

<u>Name of School</u>	<u>Grades Housed</u>	<u>Year in Which Construction or Most Recent Renovation Completed</u>	<u>Present Condition (Good, Fair or Poor)</u>
Northside Elementary School Delbert "Pete" & Pat Allen Elementary School	PreK-K	1964	Fair
Southside Elementary School	1-2	2006	Good/New
Siloam Springs Middle School	3-5	1985	Fair
Siloam Springs High School	6-8	1995	Good
	9-12	1971	Poor

School Enrollment and Population. The average daily membership (enrollment) of the District and estimated population of the District for each of the last five years is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Average Daily Membership</u>	<u>Estimated Population</u>
2004	3,147	14,000
2005	3,253	14,400
2006	3,457	15,000
2007	3,525	15,200
2008	3,658	15,700

Accreditation. In accordance with the requirements of The Quality Education Act of 1983 (Subchapter 2 of Chapter 15, Title 6, Ark. Code Ann. (1987)), the State Board of Education adopted new, more stringent educational standards that all public elementary and secondary schools in the State must meet to be accredited. The Act provides that any school not meeting these standards will be eliminated, and that any school district operating one or more of such schools is to be dissolved and its territory annexed to another district or districts which operate all schools therein in compliance with the minimum standards. The Arkansas Department of Education (the "ADE") reviews annual reports to determine whether the school district is in compliance with the standards and conducts an in-depth review every five years.

Under the ADE regulations and guidelines, schools may be classified as accredited, accredited-cited or probationary. Schools which meet all policies and standards promulgated by the ADE are classified as accredited. Schools which meet all policies and standards, with the exception of certification requirements or ratio/class size discrepancies related to unexpected population shifts, are classified as accredited-cited. Schools which have previously met all applicable policies and

standards, and subsequently fall below those standards, are classified as accredited-probationary. For those schools classified as accredited-cited or accredited-probationary, the ADE has promulgated maximum times allowable for correction of particular violations of standards. A school that has been classified as accredited-cited and does not correct the violation in the allowable time will be placed on probation. If a school in probationary status fails to comply within the allotted time frame, the school falls into loss of accreditation status. A school or district that is in loss of accreditation status for two years is subject to dissolution and annexation. The two-year period begins on the date the school was placed on probation.

The District has been classified as accredited-cited. If the District does not remedy the violation within the allotted time, it will be placed on probation.

Schools that meet the standards of the North Central Association of Colleges and Schools ("NCA") may, upon request, be admitted to NCA membership. Eligible schools in Arkansas and other states hold membership in the NCA. All Schools of this District are members of the NCA.

Assessed Valuation. Taxable property is valued for tax purposes as of January 1 of each year. However, the assessment process is not completed until November of the year of assessment. See **FINANCIAL INFORMATION, Assessment of Property and Collection of Property Taxes.** The assessed valuation of taxable property located within the boundaries of the District (as of January 1) has been as follows:

<u>Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Utilities and Regulated Carriers</u>	<u>Total Assessed Value</u>
2003	\$135,830,703	\$54,435,039	\$7,373,834	\$197,639,576
2004	144,238,935	61,191,271	7,588,975	213,019,181
2005	160,115,393	63,683,994	8,123,634	231,923,021
2006	180,758,804	68,275,229	8,306,175	257,340,208
2007	203,958,727	74,597,490	8,700,100	287,256,317

Financial Institution Deposits. The total deposits of banks with principal offices within the boundaries of the District as of the end of each year have been as follows:

<u>Year</u>	<u>Bank Deposits</u>
2003	\$136,560,000
2004	151,333,000
2005	*None
2006	*None
2007	*None

*Due to Liberty Bank of Siloam Springs becoming a branch of Liberty Bank of Arkansas, Jonesboro, Arkansas.

Major Employers. The principal industries, commercial and governmental entities, and other major employers within the boundaries of the District are as follows:

<u>Company</u>	<u>Business or Product</u>	<u>Number of Employees</u>
City of Siloam Springs	City government	200
Cobb-Vantress	Pedigree broiler	250
John Brown University	Education	266
Franklin Electric	Electric motors	300
Siloam Springs Memorial Hospital	Hospital	300
Ozark Electronics Repair, Inc.	Electronics	320
La-Z-Boy of Arkansas	Furniture	400
Dayspring Cards	Greeting cards	425
Gates Rubber	Automotive belts	650
Allen Canning	Canned foods	1,000
Simmons Foods	Poultry products	1,881

There have been no significant recent additions to or losses of employment within the District.

The District has no knowledge of any presently proposed significant additions to or losses of employment within the District.

Employees. The number of persons presently employed by the District are as follows:

	<u>Number</u>
Superintendent and Central District Staff	59
Principals	5
Classroom Teachers	268
Other Non-Teaching Personnel	<u>145</u>
TOTAL	477

4.6% of these employees belong to collective bargaining groups.

DEBT STRUCTURE

Outstanding Indebtedness. The principal categories of indebtedness which the District is authorized to incur are commercial bonds (offered at public sale on competitive bids), revolving loan bonds and certificates of indebtedness (representing loans from the State Department of Education), installment contracts (payable in subsequent fiscal years) and postdated warrants (warrants drawn in one fiscal year for payment in a subsequent fiscal year). In addition, the District is authorized to lease property from the owner under lease agreements giving the District the option to purchase the property leased. Commercial bonds and revolving loan indebtedness are payable from debt service tax revenues. Installment contracts, postdated warrants and lease-purchase obligations are payable from maintenance and operation tax revenues.

The present outstanding debt of the District is as follows:

<u>Date of Obligations</u>	<u>Amount Outstanding Immediately After Issuance of These Bonds</u>	<u>Final Maturity</u>	<u>Tax Rate (in mills per dollar) Voted for Payment as Rolled Back After Reassessment (applicable to real estate)</u>
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COMMERCIAL BONDS

12/01/04	\$13,970,000	06/01/27	7.1
09/01/08, Series A	10,000,000	06/01/39	12.9 plus continuation of existing 7.1
03/01/09, Series B	32,415,0000	06/01/39	Same as Series A

It is anticipated that the Remaining 2008 Election Bonds will consist of Series C Bonds, expected to be issued in September, 2009. The Remaining 2008 Election Bonds will rank on a parity of security with these Bonds and the Series A Bonds. The Remaining 2008 Election Bonds will be used to refund the bonds, dated December 1, 2004.

REVOLVING LOAN BONDS AND/OR CERTIFICATES OF INDEBTEDNESS

None

POST-DATED WARRANTS

None

INSTALLMENT CONTRACTS

None

LEASE-PURCHASE OBLIGATIONS

None

Parity Debt. The District has reserved the right to issue the Remaining 2008 Election Bonds on a parity with the Bonds and the Series A Bonds.

Debt Ratio. The ratio of outstanding debt after issuance of these Bonds (\$56,385,000) to current assessed valuation (\$287,256,317) will be 19.63%.

Computation of Dollar Amount of Debt Service Tax Levied. The most recent county-wide reassessment of taxable property was completed in Benton County in 2005 and in Washington County in 2007. **The next county-wide reassessment for Benton County is scheduled to be completed in 2008 and for Washington County in 2010.** For purposes of Amendment 59, the year in which the reassessment is completed is known as the "Base Year". For a general discussion of the reassessment requirement and its effect on assessed value and tax rate, see **FINANCIAL INFORMATION, Constitutional Amendment No. 59, infra.**

Constitutional Amendment No. 79 provides for an annual state credit against ad valorem property tax on a homestead in an amount not less than \$300. Effective with the assessment year 2007, the amount of the credit was increased to \$350. The tax reduction is reflected on the tax bill sent to the property owner by the county collector. Amendment No. 79 provides that the credit shall be applied in a manner that would not impair a bondholder's interest in ad valorem debt service revenue. In addition, Amendment No. 79 provides that the "General Assembly shall, by law, provide for procedures to be followed with respect to adjusting ad valorem taxes or millage pledged for bonded indebted purposes, to assure that the tax or millage levied for bonded indebtedness purposes will, at all times, provide a level of income sufficient to meet the current requirements of all principal, interest, paying agent fees, reserves, and other requirements of the bond indenture."

Pursuant to Act 1492 of 1999, the taxing units within the county are entitled to reimbursement of the reduction from the annual state credit. However, questions were raised concerning the constitutionality of Act 1492. On December 14, 2000, the Governor of the State called a special legislative session to head off potential lawsuits challenging Act 1492. As a result, House Bill 1002 was passed by both the House and Senate and signed by the Governor.

Under Act 1492 and House Bill 1002, the state sales tax increased from 4.625% to 5.125%. The purpose of the legislation is to raise revenues that the State sends back to school districts to replace the money lost as a result of the state credit. Therefore, for purposes of calculating projected revenues available for debt service discussed below, the District has assumed that it will receive debt service revenues equal to the debt service revenues it would have received prior to the adoption of Amendment No. 79.

The debt service tax levied for collection in 2009 for use in the 2009-2010 school year and thereafter has been computed by multiplying the 2007 assessment (\$287,256,317) by the number of debt service mills (20.0).

For purposes of calculating revenues available for debt service, it has also been assumed that the assessed value of all property in the District will remain the same, without increase or decrease. On this basis, the total debt service tax levied in each year will be as shown under Debt Service Schedule and Coverage, below.

Debt Service Schedule and Coverage. For purposes of the following table, it is assumed that the assumptions made in Computation of Dollar Amount of Debt Service Tax Levied are accurate and that the annual rate of tax collections in each year will be 100% (see **FINANCIAL INFORMATION, Collection of Taxes**, for the actual historical rate of collection). On this basis, the annual debt service requirements for previously issued bonds and these Bonds, the revenues available for debt service and coverage are as follows:

Fiscal Year Ending June 30	Total Principal & Interest of Previously Issued Bonds	Total Principal & Interest of These Bonds	Total Principal & Interest of Remaining Election Bonds *	Total Revenues Available for Debt Service	Coverage for These Bonds	Coverage for these Bonds & Remaining Election Bonds
2010	\$601,138	\$2,110,683	\$889,904	\$5,745,126.34	2.12	1.60
2011	599,838	2,108,546	886,585	5,745,126.34	2.12	1.60
2012	593,363	2,111,046	889,033	5,745,126.34	2.12	1.60
2013	596,888	2,111,846	886,058	5,745,126.34	2.12	1.60
2014	595,063	2,112,046	887,798	5,745,126.34	2.12	1.60
2015	593,063	2,111,646	889,098	5,745,126.34	2.12	1.60
2016	590,888	2,103,646	889,648	5,745,126.34	2.13	1.60
2017	593,433	2,099,846	889,573	5,745,126.34	2.13	1.60
2018	590,293	2,095,046	888,853	5,745,126.34	2.14	1.61
2019	591,630	2,089,246	887,468	5,745,126.34	2.14	1.61
2020	592,230	2,087,446	885,398	5,745,126.34	2.14	1.61
2021	592,308	2,084,446	886,923	5,745,126.34	2.15	1.61
2022	591,853	2,085,246	887,505	5,745,126.34	2.15	1.61
2023	590,855	2,082,866	887,115	5,745,126.34	2.15	1.61
2024	594,305	2,082,629	885,723	5,745,126.34	2.15	1.61
2025	591,980	2,079,204	888,298	5,745,126.34	2.15	1.61
2026	594,230	2,077,723	889,593	5,745,126.34	2.15	1.61
2027	595,685	2,072,848	889,568	5,745,126.34	2.15	1.61
2028	596,330	2,069,740	888,183	5,745,126.34	2.15	1.62
2029	596,150	2,067,490	890,398	5,745,126.34	2.16	1.62
2030	594,950	2,067,490	885,935	5,745,126.34	2.16	1.62
2031	597,888	2,064,490	889,988	5,745,126.34	2.16	1.62
2032	599,718	2,063,490	887,020	5,745,126.34	2.16	1.62
2033	600,628	2,064,240	887,225	5,745,126.34	2.16	1.62
2034	600,618	2,065,035	885,605	5,745,126.34	2.16	1.62
2035	599,688	2,062,005	887,130	5,745,126.34	2.16	1.62
2036	602,125	2,065,150	886,510	5,745,126.34	2.15	1.62
2037	603,375	2,068,538	888,710	5,745,126.34	2.15	1.61
2038	603,438	2,072,313	888,430	5,745,126.34	2.15	1.61
2039	602,313	2,076,219	890,630	5,745,126.34	2.14	1.61

*Assuming a true interest cost of 4.965% per annum.

Pledge of State Aid. A.C.A. §6-20-1204 provides that the State Board of Education shall cure any delinquencies in payment on any school bond by withholding state aid that is available and due the District. If the Trustee does not receive payment when due pursuant to the Resolution, the Trustee is entitled to payment from the withheld state aid in any amount sufficient to cure the payment deficiency. **The unencumbered amount of state aid that may be intercepted by the State Board of Education for purposes of making debt service payments is unclear. It is also unclear whether revenues produced by the Uniform Rate of Tax may be intercepted. Amendment No. 74 provides that revenues from the Uniform Rate of Tax distributed to the school districts shall be used solely for maintenance and operation of schools. The phrase "maintenance and operation" has not been defined.**

Uniform Rate of Tax. Amendment No. 74 establishes a statewide 25-mill property tax minimum for maintenance and operation of the public schools (the "Uniform Rate of Tax"). The Uniform Rate of Tax

replaces that portion of local school district ad valorem taxes available for maintenance and operation of schools. The method for calculating the portion of the local tax which will be replaced by the Uniform Rate of Tax is set forth in §26-80-204(18). On November 21, 2002, the Arkansas Supreme Court held that §26-80-204(18)(c), which deals with excess debt service mills being utilized to meet the Uniform Rate of Tax, violates Amendment No. 74 of the Arkansas Constitution and is void and of no effect.

Defaults. No debt obligations of the District have been in default as to principal or interest payments or in any other material respect at any time in the last 25 years.

THE RESOLUTION

Set forth below is a summary of certain provisions of the Resolution. This summary does not purport to be comprehensive and reference is made to the full text of the Resolution for a complete description of its provisions.

Bond Fund. The pledged revenues will be deposited into a Bond Fund which will be held by, or under the direction of, the District. Moneys in the Bond Fund will be used solely for the payment of principal of, interest on and Trustee's fees in connection with the Bonds, except as otherwise specifically provided in the Resolution. Any surplus of the pledged revenues over and above the amount necessary to insure the payment as due of principal of, interest on and Trustee's fees in connection with the Bonds will be released from the pledge and may be withdrawn from the Bond Fund and used for other school purposes. The Treasurer of the District will withdraw from the Bond Fund and deposit with the trustee, on or before the maturity date of any Bond, on or before each interest payment date and on or before the due date of any trustee fees, moneys in an amount equal to the amount of such Bonds or interest, or Trustee's fees, for the sole purpose of paying the same, and the Trustee shall apply such moneys for such purpose.

Deposit of Sale Proceeds. The Bonds will be delivered to the Trustee upon payment by the purchaser of the Bonds in cash of the purchase price, plus accrued interest from the date of the Bonds to the date of delivery ("total sale proceeds"). The accrued interest plus the additional amount, if any, necessary, together with accrued interest, to pay interest on the Bonds until revenues from tax collections are available in sufficient amount therefor will be deposited in the Bond Fund. The balance of the total sale proceeds will be deposited in the Construction Fund created by the Resolution (the "Construction Fund"). Amounts in the Construction Fund will be disbursed for costs and expenses of the Project (including interest on the Bonds during the construction period) upon filing in the official records pertaining to said Fund of a certificate of the District setting forth the information provided for in the Resolution.

Investments. (a) The District may, from time to time invest moneys held for the credit of the Construction Fund in Authorized Investments or in bank certificates of deposit.

(b) The District may, from time to time, invest moneys held for the credit of the Bond Fund in Authorized Investments or in bank certificates of deposit the principal of and interest on which are fully insured by the Federal Deposit Insurance Corporation.

(c) Investments shall remain a part of the Fund from which the investment was made. All earnings and profits from investments shall be credited to and all losses charged against, the Fund from which the investment was made.

(d) The term "Authorized Investments" means direct obligations of the United States of America or obligations the principal of and interest on which are fully guaranteed by the United States of America or units of participation in a common trust fund created pursuant to the Local Government Joint Investment Trust Act (Subchapter 3 of Chapter 8, Title 19, Arkansas Code of 1987 Annotated).

Trustee. The Trustee was designated by the Underwriter.

The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The Trustee is not required to take any action for the protection of Bondholders unless it has been requested to do so in writing by the holders of not less than 10% in principal amount of the Bonds then outstanding and offered reasonable security and indemnity against the cost, expenses and liabilities to be incurred therein or thereby.

The Trustee may resign by giving notice in writing to the Secretary of the Board of Directors. Such resignation shall be effective upon the appointment of a successor Trustee by the District and acceptance of appointment by the successor. If the District fails to appoint a successor Trustee within 30 days of receiving notice of resignation, the Trustee may apply to a court of competent jurisdiction for appointment of a successor. The holders of a majority in principal amount of outstanding Bonds may at any time, with or without cause, remove the Trustee and appoint a successor Trustee.

Modification of Terms of Bonds. The terms of the Bonds and the Resolution will constitute a contract between the District and the registered owners of the Bonds. The owners of not less than 75% in aggregate principal amount of the Bonds then outstanding have the right, from time to time, to consent to the adoption by the District of resolutions modifying any of the terms or provisions contained in the bonds or the Resolution; provided, however, there shall not be permitted (a) any extension of the maturity of the principal of or interest on any bond, or (b) a reduction in the principal amount of any bond or the rate of interest thereon, or (c) the creation of any additional pledge on the revenues pledged to the Bonds other than as authorized in the Resolution, 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 such consent.

Defeasance. When all of the Bonds shall have been paid or deemed paid, the pledge in favor of the Bonds (see **BONDS BEING OFFERED**, Security and Source of Payment, *supra*) shall be discharged and satisfied. A Bond shall be deemed paid when there shall have been deposited in trust with the Trustee or with another bank or trust company (which other bank or trust company must be a member of the Federal Reserve System), as escrow agent under an escrow deposit agreement requiring the escrow agent to apply the proceeds of the deposit to pay the principal of and interest on the Bond as due at maturity or upon redemption prior to maturity, moneys or Government Securities sufficient to pay when due the principal of and interest on the bond. If the principal of the Bond is to become due by redemption prior to maturity, notice of such redemption must have been duly given or provided for. "Government Securities" shall mean direct or fully guaranteed obligations of the United States of America, noncallable, maturing on or prior to the maturity or redemption date of the bond. In determining the sufficiency of a deposit there shall be considered the principal amount of such Government Securities and interest to be earned thereon until their maturity.

Defaults and Remedies. If there is any default in the payment of the principal of or interest on any Bond, or if the District defaults in the performance of any other covenant in the Resolution, 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 District under the Constitution and laws of the State of Arkansas and under the Resolution and protect and enforce the rights of the owners by instituting appropriate proceedings at law or in equity or by other action deemed necessary or desirable by the Trustee. If any default in the payment of principal or interest continues for 30 days the Trustee may, and upon the request of the owners of not less than 10% in principal amount of the then outstanding Bonds shall, declare all outstanding Bonds immediately due and payable together with accrued interest thereon.

No owner of any bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Bonds or the Resolution or under the Constitution and laws of the State of Arkansas, unless such owner

previously shall have given written notice to the Trustee of the default, and unless the owners of not less than 10% in principal amount of the then outstanding Bonds shall have made written request of the Trustee to take action, shall have afforded the Trustee a reasonable opportunity to take such action, and shall have offered to the Trustee reasonable security and indemnity against the cost, expenses and liabilities to be incurred and the Trustee shall have refused or neglected to comply with such request within a reasonable time. No one or more owners of the Bonds shall have any right in any manner by his or their action to affect, disturb or prejudice the security of the Resolution, or to enforce any right thereunder except in the manner provided in the Resolution. All proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the benefit of all owners of outstanding Bonds. Any individual rights of action are restricted by the Resolution to the rights and remedies therein provided. Nothing shall, however, affect or impair the right of any owner to enforce the payment of the principal of and interest on any bond at and after the maturity thereof.

Action may be taken by the Trustee without possession of any bond, and any such action shall be brought in the name of the Trustee and for the benefits of all the owners of bonds.

No delay or omission of the Trustee or any owner of a bond to exercise any right or power accrued upon any default shall impair any such right or power or be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given to the Trustee and to the owners of the Bonds 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 10% 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 or before the completion of the enforcement of any other remedy. No such waiver shall extend to or affect any other existing or subsequent default or defaults or impair any rights or remedies consequent thereon.

There is no requirement that the District furnish periodic evidence as to the absence of default or as to the compliance with the terms of the Bonds, the Resolution or law.

FINANCIAL INFORMATION

Sources and Uses of Funds. The following combined summary of Revenues, Expenditures and Fund Balances are taken from the District's 2005, 2006 and 2007 Audits. For complete information concerning the District, please review the actual Audits at www.legaudit.state.ar.us.

	Year Ending June 30		
<u>Revenues</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Property taxes	\$9,264,469	\$8,080,515	\$6,566,580
Property tax relief trust distribution*	-0-	-0-	420,738
State assistance	16,158,659	15,534,368	14,020,128
Federal assistance	26,403	32,106	11,028
Activity revenues	629,570	663,027	461,051
Meal sales	-0-	-0-	-0-
Interest on investments	173,330	86,769	29,854
Other revenues	<u>619,851</u>	<u>87,044</u>	<u>53,928</u>
REVENUES	\$26,872,282	\$24,483,829	\$21,563,307
<u>Expenditures</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Regular programs	\$10,237,860	\$9,670,194	\$9,153,362
Special education	964,829	937,987	831,262
Vocational education	813,623	920,034	750,542
Compensatory education	309,331	457,954	407,466
Other instructional programs	2,069,752	1,334,000	1,198,571
Support services	9,709,058	8,046,707	6,895,891
Non-programmed costs	-0-	33,721	4,325
Activity expenditures	748,823	555,658	348,342
Capital outlay	-0-	-0-	346,937
Principal retirement	700,000	670,000	255,000
Interest and fiscal charges	<u>913,907</u>	<u>934,344</u>	<u>636,357</u>
EXPENDITURES	\$26,467,183	\$23,560,599	\$20,828,055
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 405,099	\$ 923,230	\$ 735,252
OTHER FINANCING SOURCES (USES)	(55,001)	(55,000)	(39,807)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 350,098	\$ 868,230	\$ 695,445
FUND BALANCE, BEGINNING OF YEAR	<u>\$ 5,220,124</u>	<u>\$ 4,351,894</u>	<u>\$ 3,656,449</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,570,222</u>	<u>\$ 5,220,124</u>	<u>\$ 4,351,894</u>

*Property Tax Relief Trust Distribution starting in 2006 is included in the Property Taxes.

Collection of Taxes. Tax collections of the ad valorem tax levied by the District are shown in the following table. School taxes voted at the school election are collected in the next calendar year and normally received by and used by the District during the school fiscal year beginning in such calendar year.

<u>School Year</u>	<u>School Tax Levied</u>	<u>School Tax Collected</u>	<u>Rate of Collections (net of collection fees)</u>
2007-08	\$10,190,672	\$9,986,704	98.00%
2006-07	9,230,536	9,179,169	99.44%
2005-06	8,520,767	8,413,091	98.74%
2004-05	6,462,814	6,758,162	104.57%
2003-04	6,068,934	6,050,120	99.69%

5-year average rate of collections - 99.79%

Overlapping Ad Valorem Taxes. The ad valorem taxing entities in the State of Arkansas are municipalities, counties, school districts and community college districts. All taxable property located within the boundaries of a taxing entity is subject to taxation by that entity. Thus property within the District is also subject to county ad valorem taxes. Property located within a municipality and/or within a community college district is also subject to taxation by that entity or entities. The ad valorem tax entities whose boundaries overlap the District and their real estate ad valorem tax rates are:

<u>Name of Overlapping Entity</u>	<u>Total Tax Rate (in mills)</u>
Benton County	7.0
Washington County	6.6
City of Siloam Springs	5.5

Assessment of Property and Collection of Property Taxes. (a) Under Amendment No. 59 to the Arkansas Constitution, all property is subject to taxation except for the following exempt categories: (i) public property used exclusively for public purposes; (ii) churches used as such; (iii) cemeteries used exclusively as such; (iv) school buildings and apparatus; (v) libraries and grounds used exclusively for school purposes; (vi) buildings, grounds and materials used exclusively for public charity; and (vii) intangible personal property to the extent the General Assembly has exempted it from taxation, provided that it be taxed at a lower rate, or provided for its taxation on a basis other than ad valorem. Amendment No. 59 also authorizes the General Assembly to exempt from taxation the first \$20,000 of value of a homestead of a taxpayer 65 years of age or older.

Amendment No. 59 provides that, except as otherwise provided therein in connection with the transition period following a county-wide reassessment (see Constitutional Amendment Nos. 59 and 79, infra), (1) residential property used solely as the principal place of residence of the owner shall be assessed in accordance with its value as a residence, (2) land (but not improvements thereon) used primarily for agricultural, pasture, timber, residential and commercial purposes shall be assessed upon the basis of its value for such use, and (3) all other real and tangible personal property subject to taxation shall be assessed according to its value (the Arkansas Supreme Court has held that the unqualified word "value," as used in a prior, substantially identical, constitutional provision, means "current market value").

(b) Property owned by public utilities and common carriers and "used and/or held for use in the operation of the company . . ." is assessed for tax purposes by the Tax Division of the

Arkansas Public Service Commission. A.C.A. § 26-26-1605 (1997 Repl.) provides that the Tax Division "shall assess the property at its true and full market or actual value" and that all utility property of a company, whether located within or without the State of Arkansas, is to be valued as a unit. Annually, the company files a report with the Tax Division. The Tax Division reviews these reports, along with other reports (such as reports to shareholders, the Federal Communications Commission, the Federal Energy Regulatory Commission and the Interstate Commerce Commission), to determine the value of the property. Valuation is currently made on the basis of a formula, as set forth in A.C.A. § 26-26-1607 (1997 Repl.), with consideration given to (i) original cost less depreciation, replacement cost less depreciation or reconstruction cost less depreciation; (ii) market value of capital stock and funded debt; and (iii) capitalization of income. As provided in A.C.A. § 26-26-1611 (1997 Repl.), once the value of a company's property as a unit is determined, the Tax Division removes the value allocable to out-of-state property and assigns the remainder among Arkansas taxing units on the basis of value within each jurisdiction. The Tax Division certifies the assessment to the county assessor who enters the assessment as certified on the county assessment roll. County officials have no authority to change such assessment. See **LEGAL MATTERS, Legal Proceedings**.

All other property is assessed by the elected assessor of each Arkansas county (or other official or officials designated by law). This includes both real and tangible personal property. Amendment No. 79 to the Arkansas Constitution requires each county to appraise all market value real estate normally assessed by the county assessor at its full and fair value at a minimum of once every five (5) years.

(c) Amendment No. 79 requires the county assessor (or other official or officials designated by law), after each county-wide reappraisal, to compare the assessed value of each parcel of real property reappraised or reassessed to the prior year's assessed value. If the assessed value of the parcel increased, then the assessed value of that parcel must be adjusted as provided below.

Subject to subsection (e) below, if the parcel is not the homestead and principal place of residence ("homestead") of a taxpayer, then any increase in the assessed value in the first year after reappraisal cannot be greater than 10% (or 5% if the parcel is the taxpayer's homestead) of the assessed value for the previous year. For each year thereafter, the assessed value shall increase by an additional 10% (or 5% if the parcel is the taxpayer's homestead) of the assessed value for the year preceding the first assessment resulting from reappraisal; however, the increase cannot exceed the assessed value determined by the reappraisal prior to adjustment under Amendment No. 79.

For property owned by public utilities and common carriers, any annual increase in the assessed value cannot exceed more than 10% of the assessed value for the previous year. The provisions of this subsection (c) do not apply to newly discovered real property, new construction or substantial improvements to real property.

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

(e) If, however, there has been no county-wide reappraisal and resulting assessed value of property between January 1, 1986 and December 1, 2000, then real property in that county is adjusted differently. In that case, the assessor (or other official or officials designated by law) compares the assessed value of each parcel to the assessed value of the parcel for the previous year. If the assessed value of the parcel increases, then the assessed value of the parcel for the year in which the parcel is reappraised or reassessed is adjusted by adding one-third (1/3) of the increase to the assessed value for the year prior to appraisal or reassessment. An additional one-third (1/3) of the increase is added in each of the next two (2) years.

The adjustment contemplated by subsection (e) does not apply to the property of public utilities or common carriers. No adjustment will be made for newly discovered real property, new construction or substantial improvements to real property.

(f) Property is currently assessed in an amount equal to 20% of its value. The percentage can be increased or decreased by the General Assembly.

The total of the millage levied by each taxing entity (municipalities, counties, school districts and community college districts) in which the property is located is applied against the assessed value to determine the tax owed. The assessed value of taxable property is revised each year and the total millage levied in that calendar year is applied against the assessed value for the calendar year. Assessed value for each year is determined as of January 1 of that year. Tangible personal property, including automobiles, initially acquired after January 1 and before June 1 is required to be assessed in the year of acquisition. Otherwise, only property owned by a taxpayer on January 1 is assessed for that calendar year.

The total taxes levied by all taxing authorities are collected together by the county collector of the county in which the property is located in the calendar year immediately following the year in which levied. Taxes are due and payable between the third Monday in February and October 10. Taxes not paid by October 10 are delinquent and subject to a 10% penalty. Real estate as to which taxes are delinquent for two successive years is certified to the State Land Commissioner, who offers the property for sale. The proceeds of such sale are distributed among the taxing authorities. Delinquent real property may be redeemed by the taxpayer within two years of the delinquency. Delinquent personal property taxes may be collected by distraint and public sale of the taxpayer's property.

Constitutional Amendment Affecting Personal Property Taxes. At the 1992 general election, a Constitutional amendment was approved which exempts from all personal property taxes items of household furniture and furnishings, clothing, appliances and other personal property used within the home. The effective date of the amendment was January 1, 1993.

Constitutional Amendment Nos. 59 and 79. Prior to the adoption of Amendment No. 59 to the Arkansas Constitution, the Constitution mandated that:

"All property subject to taxation shall be taxed according to its value, that value to be ascertained in such manner as the General Assembly shall direct, making the same equal and uniform throughout the State. No one species of property from which a tax may be collected shall be taxed higher than other species of property of equal value"

In the case of Arkansas Public Service Commission v. Pulaski County Board of Equalization, 266 Ark. 64, 582 S.W.2d 942 (June 25, 1979), the Supreme Court of Arkansas held that the then current assessment process, as prescribed by certain legislation and administrative regulations, was in violation of the Constitutional mandate in that (1) it provided for the assessment

of certain property on the basis of "use value" as opposed to market value, (2) it did not provide for equal and uniform assessments throughout the State and (3) it provided for assessments based on past, as opposed to current, market values. The Court ordered a statewide reassessment to bring the assessments into conformity with the constitutional requirements. It was provided that the reassessment would be completed over a five year period, with 15 of the 75 counties in the State to be reassessed each year. The reassessment was accomplished in calendar years 1981 through 1985.

Legislative studies indicated that the effect of the Court-ordered reassessment would be to substantially increase real estate assessments in most or all counties of the State, with the result being, if tax rates remained the same, to substantially increase real estate taxes. The Arkansas General Assembly submitted to the electors of the State a proposed Constitutional amendment designed to prevent the substantial tax increase that would otherwise result from the reassessment. The proposed Amendment was approved at the 1980 General Election and is now Amendment No. 59 to the Arkansas Constitution.

At the 2000 general election, Constitutional Amendment No. 79 was adopted by a majority of the voters and went into effect on January 1, 2001. Among other things, Amendment No. 79 allows for an annual state credit against ad valorem property tax on a homestead in the amount of not less than \$300. The credit must not be applied in a manner that would impair a bondholder's interest in ad valorem debt service revenues.

Amendment No. 59 provides that whenever a county-wide reassessment results in an increase of assessed value of 10% or more, the tax rate of each taxing unit on property located in that county is to be adjusted as provided in the Amendment. The year in which the reassessment is completed is designated the "Base Year". The assessed valuation for the Base Year is based on the reassessment. Amendment No. 79 requires that rollback adjustments under Amendment No. 59 be determined after the adjustments are made to assessed value under Amendment No. 79 (see **FINANCIAL INFORMATION, Assessment of Property and Collection of Property Taxes**).

The tax rate applicable to other real property is computed by (1) deducting from the Base Year assessed value of the real estate the assessed value of newly-discovered real estate and new construction and improvements to real property to arrive at the reassessed value of previously assessed real property, (2) determining the tax rate necessary to produce from the previously assessed real property (on the basis of the Base Year assessment) the same amount of revenues produced from such property in the Base Year (on the basis of the last previous assessed value and the tax rate applicable to collections in the Base Year), and (3) either (a) fixing the tax rate determined in (2) as the tax rate for the real property, including newly-discovered real property and new construction and improvements to real estate, or (b) if the tax rate so fixed would produce less than 110% of the revenues from real estate produced in the Base Year, increasing the tax rate in an amount sufficient to produce such 110% of revenues.

The General Assembly, in Act No. 848 of 1981, implemented the procedures of Amendment No. 59. A.C.A. § 26-26-404 (1997 Repl.), provides that the computation is to be made separately for each tax source or millage levy (in the case of the school districts this would require separate computations for operation and maintenance millage and debt service millage), with the new tax rate for each millage levy to be rounded up to the nearest 1/10 mill. In the case of debt service millage, the tax rate as so adjusted will continue as the continuing annual tax rate until retirement of the bonds to which pledged. The adjusted rate for operation and maintenance millage would be subject to change at each annual school election in accordance with law.

Amendment No. 79 provides that the tax rate for personal property and property of public utilities and regulated carriers should be the same as that for real property. Personal property rates currently not equal to real property rates should be reduced to the level of the real property rate unless a higher rate is "necessary to provide a level of income sufficient to meet the current

requirements of all principal, interest, paying agent fees, reserves, and other requirements" of a bond issue.

Amendment No. 59 contains the following specific provision in regard to debt service millage:

"The General Assembly shall, by law, provide for procedures to be followed with respect to adjusting ad valorem taxes or millage pledged for bonded indebtedness purposes, to assure that the adjusted or rolled-back rate of tax or millage levied for bonded indebtedness purposes will, at all times, provide a level of income sufficient to meet the current requirements of all principal, interest, Paying Agent's fees, reserves, and other requirements of the bond indenture."

A.C.A. § 26-26-402(b) (1997 Repl.) provides:

"If it is determined that the adjustment or rollback of millages as provided for herein will render income from millages pledged to secure any bonded indebtedness insufficient to meet the current requirements of all principal, interest, paying agent fees, reserves and other requirements of a bond indenture any such pledged millage shall be rolled back or adjusted only to a level which will produce at least a level of income sufficient to meet the current requirements of all principal, interest, paying agent fees, reserves, and other requirements of the bond indenture."

If the assessed value of all classes of taxable property located in a school district remain at the same level, without increase or decrease, and the total school tax rates applicable to real and personal property remain constant, then the annual revenues derived from taxable real and personal property will be the same in each year. This would be true of annual revenues available for debt service on bonds, as well as other annual revenues of the district.

Major Taxpayers. For 2007 taxes levied for collection in 2008 (based on the 2007 assessed valuation), there were no taxpayers paying more than five percent of the total school district tax.

LEGAL MATTERS

Litigation Over State Funding for Schools. In an Order issued November 9, 1994, the Honorable Annabelle C. Imber held that the existing state funding system for public education violated the equal protection provision of the Arkansas Constitution and violated Article 14, § 1 of the Arkansas Constitution by "failing to provide a general, suitable and efficient system of free public education." Lake View School Dist. No. 25 of Phillips County, Arkansas v. Jim Guy Tucker, Case No. 92-5318 (1994). Judge Imber stayed the effect of her judgment for two years to allow the General Assembly to adopt and implement legislation consistent with her Order. The case was appealed to the Arkansas Supreme Court. The Supreme Court remanded the case back to the Chancery Court to determine whether the system of public school finance was in compliance with Judge Imber's original Order and whether the amount of funding was sufficient to provide all Arkansas students with an adequate education. On May 25, 2001, the Chancery Court ruled that the present system of school funding was inequitable and inadequate under the Arkansas Constitution. On November 21, 2002, the Arkansas Supreme Court affirmed the Chancery Court and held the current school funding system unconstitutional. In order to allow the General Assembly and the Department of Education time to correct the constitutional disability, the Court stayed the issuance of its mandate until January 1, 2004. On January 2, 2004, the Lake View School District, the Class Member, filed a Motion for Writ of Prohibition, requesting that the Supreme Court prohibit the State from spending money until the State corrected the unconstitutional school system. The Class Member also requested that all funds appropriated by the State for the purpose of supporting the school system be held in escrow until the unconstitutional system was corrected. On January 22,

2004, the Supreme Court issued an opinion recalling its mandate and ruling that there had been noncompliance with its November 21, 2002 opinion. As a result, the Court appointed two special masters, charged with the responsibility of overseeing legislative actions regarding school finance. The masters issued their report on April 2, 2004. The Court, on June 18, 2004, released jurisdiction of the case. On April 14, 2005, the Rogers School District of Benton County, Arkansas, asked the Court to reopen the Lake View case, arguing that lawmakers "reverted back to their old ways" and had failed to follow the Court's mandate to fund public education adequately. The Rogers School District maintained that the Arkansas General Assembly had not increased foundation funding as they had promised in the extraordinary session of 2004. On April 25, 2005, four additional petitions were filed with the Court by a combined 46 districts asking the Court to reopen the Lake View case. On June 9, 2005, the Court once again reopened the case and reappointed the two special masters to assess whether the Governor and the General Assembly had complied with the Lake View ruling. On October 3, 2005, the masters issued their findings and concluded that the General Assembly had not complied with the Lake View ruling and had not made education the State's first priority. The Supreme Court agreed with the masters and held that the General Assembly had retreated from its prior actions to comply with the Court's directives in Lake View and that the public school funding system continued to be inadequate. The Supreme Court further held that the public schools were operating under a constitutional infirmity which must be corrected immediately. The Court stayed the issuance of its mandate until December 1, 2006 to allow the necessary time to correct the constitutional deficiencies. In April 2006, the General Assembly met in special session to address some of the Court's concerns. The General Assembly appropriated more money to the State Department of Education for public school operation and school buildings. The General Assembly, among other things, also increased per-student funding and the minimum teacher salary schedule. On December 1, 2006, the Supreme Court ruled that it would keep jurisdiction over the case and reappointed the two special masters to evaluate whether the State met the constitutional requirements of an adequate and equitable education system. The Court delayed the case deadline for 180 days, to give the State time to provide documents, the masters time to evaluate the State's actions and the Court time to rule. **On May 31, 2007, the Court concluded that the system of public school financing is now in constitutional compliance.**

At the 1996 general election, a Constitutional Amendment was passed ("Amendment No. 74") which establishes a statewide 25-mill property tax minimum for maintenance and operation of the public schools (the "Uniform Rate of Tax"). The Uniform Rate of Tax replaces that portion of local school district ad valorem taxes available for maintenance and operation. The Uniform Rate of Tax is to be collected in the same manner as other school property taxes, but the revenues generated from the Uniform Rate of Tax are remitted to the State Treasurer for distribution to the school districts. The method for distributing the state aid back to the individual school districts, and the authorized uses of the state aid once received by the school districts are set forth in Act 1300 of 1997.

Legal Proceedings. No litigation is pending, or to the best knowledge of the District threatened, questioning the existence of the District, its boundaries, the assessed value of taxable property located within the District, any taxes levied by the District, the title of any member of the Board of Directors to his office, or questioning the authority of the District to issue the Bonds or any proceedings relating thereto.

Legal Opinion. Issuance of the Bonds is subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, to the effect that the Bonds have been lawfully issued under the Constitution and laws of the State of Arkansas and constitute valid, binding and enforceable obligations of the District.

Tax Exemption - Opinion of Bond Counsel. In the opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, under existing law, the interest on the Bonds is exempt from Arkansas income tax and from property taxes.

Also, in the opinion of Bond Counsel, interest on the Bonds under existing law (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations. The opinion set forth in clause (a) above is subject to the condition that the District 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) excluded from gross income for federal income tax purposes. These requirements generally relate to arbitrage and 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 District has covenanted to comply with all such requirements.

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.

Tax Exemption - Original Issue Discount. The initial public offering prices of the Bonds maturing in years 2021 through 2027, 2029 through 2032, 2035 (Term Bonds), and 2039 (Term Bonds) (collectively, the "Discounted Bonds"), shown on the cover page hereof, are less than the stated principal amounts thereof. Under existing law, the difference between the stated principal amounts of the Discounted Bonds and the initial public offering prices constitute original issue discount ("OID"). For federal income tax purposes, OID is treated as interest on the Bonds which is excluded from gross income and could subject a corporation to alternative minimum tax to the same extent as stated interest on the Bonds. Bond Counsel's opinion is given in reliance on certifications by the Underwriter to the effect that the offering prices for the Discounted Bonds set forth on the cover page hereof are the initial offering prices to the public (excluding underwriters and other intermediaries) at which a substantial amount of the Bonds are sold.

A taxpayer who purchases a Discounted Bond in the initial public offering at the initial public offering prices, and who holds such Bond to maturity, will not realize taxable gain upon payment of such Bond at maturity. Owners of Discounted Bonds who dispose of Bonds prior to maturity (including upon redemption), purchase Bonds in the initial public offering but at a price different than the initial public offering price, or purchase Bonds subsequent to the initial public offering should consult their own tax advisors to determine any tax consequences.

Prospective purchasers of the Discounted Bonds should additionally consult their own tax advisors with respect to the calculation of accrued OID and the state and local tax consequences of owning or disposing of Bonds.

Non-Litigation Certificate. Upon delivery of the Bonds the District will furnish a certificate to the effect that no litigation not described in the Official Statement is then pending which would affect the validity of or security for the Bonds.

Official Statement Certificate. Upon delivery of the Bonds, the District will furnish a certificate to the effect that the Official Statement does not contain any untrue statement of a material fact or omits to state a material fact required to be stated therein to make the statements therein, in the light of the circumstances under which they were made, not misleading.

DISCLOSURE DISSEMINATION AGENT AGREEMENT

Agreement. In order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Rule 15c2-12"), the District has entered into a Disclosure Dissemination Agent Agreement ("Disclosure Dissemination Agreement") for the benefit of the Beneficial Owners of the Bonds with Digital Assurance Certification, L.L.C. ("DAC"), under which the District has designated DAC as Disclosure Dissemination Agent. The form of Disclosure Dissemination Agreement is attached as Exhibit A.

MISCELLANEOUS

Bond Rating. Moody's Investors Service, Inc., has assigned an "A1" enhanced rating to the Bonds. Certain information was supplied to the rating agency to be considered in evaluating the Bonds. Any rating issued will reflect only the views of the rating agency, and any explanation of the significance of such rating on the Bonds should be obtained from the rating agency. There is no assurance that the ratings obtained for the Bonds will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency for the Bonds if, in its judgment, circumstances so warrant. Neither the Underwriter nor the District undertake any responsibility either to bring to the attention of the owners of the Bonds downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Bonds. The assignment of the enhanced rating reflects the additional bond security provided by A.C.A. §6-20-1204. See **DEBT STRUCTURE**, Pledge of State Aid.

Underwriting. The Underwriter has purchased the Bonds from the District at public sale upon competitive bids at a price of \$31,788,560.15 plus accrued interest from the date of the Bonds to the date of delivery to the Underwriter.

Interest of Certain Persons. The District has employed First Security Beardsley Public Finance, as Fiscal Agent to assist the District in the sale and issuance of the Bonds. First Security Beardsley Public Finance is a division of Crews & Associates, Inc. The Fiscal Agent has employed Friday, Eldredge & Clark, LLP, as Bond Counsel. Neither the Fiscal Agent nor Bond Counsel will receive any fee for its services unless and until the Bonds are sold and delivered.

The Board of Directors of the District has authorized the preparation and distribution of this Official Statement.

SILOAM SPRINGS SCHOOL DISTRICT NO.
21 OF BENTON COUNTY, ARKANSAS

By /s/ _____
A.V. Beardsley III, President
FIRST SECURITY BEARDSLEY
PUBLIC FINANCE
FISCAL AGENT

EXHIBIT A

DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated as of March 26, 2009, is executed and delivered by Siloam Springs School District No. 21 of Benton County, Arkansas (the "Issuer") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repositories.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Appendix A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Representative" means _____, the senior member of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

"Effective Date" means July 1, 2009, or such later date as the Securities and Exchange Commission shall state as the effective date for the amendments to the Rule pursuant to Release No. 34-59062 (December 5, 2008).

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means the Annual Financial Information, the Audited Financial Statements (if any) the Notice Event notices, and the Voluntary Reports.

"Notice Event" means an event listed in Sections 4(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"National Repository" means, prior to the Effective Date, any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, and thereafter the MSRB. Prior to the Effective Date, the list of National Repositories maintained by the United States Securities and Exchange Commission shall be conclusive for purposes of determining National Repositories. Currently, the following are National Repositories:

1. DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
(201) 346-0701 (phone)
(201) 947-0107 (fax)
Email: nrmsir@dpccdata.com
2. Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
(212) 771-6999 (phone)
(212) 771-7390 (fax for secondary market information)
(212) 771-7391 (fax for primary market information)
Email: NRMSIR@interactivedata.com
3. Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
(609) 279-3225 (phone)
(609) 279-5962 (fax)
Email: Munis@Bloomberg.com
4. Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, New York 10041
(212) 438-4595 (phone)
(212) 438-3975 (fax)
Email: nrmsir_repository@sandp.com

The names and addresses of all current National Repositories should be verified each time information is delivered pursuant to this Disclosure Agreement. A current National Repository list can be found at: <http://www.sec.gov/info/municipal/nrmsir.htm>.

"Official Statement" means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Appendix A.

"Repository" means the MSRB, each National Repository and the State Depository (if any).

"State Depository" means any public or private depository or entity designated by the State of Arkansas as a state information depository (if any) for the purpose of the Rule. The list of state information depositories maintained by the United States Securities and Exchange Commission shall be conclusive as to the existence of a State Depository. Currently, the following depositories are listed by the Securities and Exchange Commission as available State Depositories:

1. Municipal Advisory Council of Michigan
1445 First National Building
Detroit, MI 48226-3517
(313) 963-0420 (phone)
(313) 963-0943 (fax)
MAC@macmi.com
2. Municipal Advisory Council of Texas
PO Box 2177
Austin, TX 78768-2177
(512) 476-6947 (phone)
(512) 476-6403 (fax)
mac@mactexas.com
3. Ohio Municipal Advisory Council
9321 Ravenna Road, Unit K
Twinsburg, OH 44087-2445
(330) 963-7444 (phone)
(800) 969-OMAC (6622) (phone)
(330) 963-7553 (fax)
sid_filings@ohiomac.com

"Trustee" means the institution identified as such in the document under which the Bonds were issued.

"Voluntary Report" means the information provided to the Disclosure Dissemination Agent by the Issuer pursuant to Section 7.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than 30 days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to each National Repository and the State Depository (if any) not later than ninety (90) days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2009. Such date and each anniversary thereof is the Annual Filing Date. 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 Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required

under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Appendix B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Appendix B.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, together with a copy for the Trustee, for filing with each National Repository and the State Depository (if any).

(e) The Disclosure Dissemination Agent shall:

- (i) determine the name and address of each Repository each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Section 2(a) with each National Repository, and the State Depository, (if any);
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with each National Repository, and the State Depository (if any);
- (iv) upon receipt, promptly file the text of each disclosure to be made with each National Repository and the State Depository (if any) together with a completed copy of the Event Notice Cover Sheet in the form attached as Appendix C, describing the event by checking the box indicated below when filing pursuant to the Section of this Disclosure Agreement indicated:
 1. "Principal and interest payment delinquencies," pursuant to Sections 4(c) and 4(a)(1);
 2. "Non-Payment related defaults," pursuant to Sections 4(c) and 4(a)(2);
 3. "Unscheduled draws on debt service reserves reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(3);
 4. "Unscheduled draws on credit enhancements reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(4);
 5. "Substitution of credit or liquidity providers, or their failure to perform," pursuant to Sections 4(c) and 4(a)(5);
 6. "Adverse tax opinions or events affecting the tax-exempt status of the security," pursuant to Sections 4(c) and 4(a)(6);
 7. "Modifications to rights of securities holders," pursuant to Sections 4(c) and 4(a)(7);
 8. "Bond calls," pursuant to Sections 4(c) and 4(a)(8);
 9. "Defeasances," pursuant to Sections 4(c) and 4(a)(9);

10. "Release, substitution, or sale of property securing repayment of the securities," pursuant to Sections 4(c) and 4(a)(10);
 11. "Ratings changes," pursuant to Sections 4(c) and 4(a)(11);
 12. "Failure to provide annual financial information as required," pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of Appendix B to this Disclosure Agreement;
 13. "Other material event notice (specify)," pursuant to Section 7 of this Agreement, together with the summary description provided by the Disclosure Representative.
- (v) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the Repositories, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

SECTION 3. Content of Annual Reports.

(a) **Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement under the headings: DESCRIPTION OF THE SCHOOL DISTRICT, Assessed Valuation, DEBT STRUCTURE, Outstanding Indebtedness, DEBT STRUCTURE, Debt Service Schedule and Coverage, FINANCIAL INFORMATION, Sources and Uses of Funds, and FINANCIAL INFORMATION, Collection of Taxes.**

(b) Audited Financial Statements prepared in accordance with [GAAP OR alternate accounting principles] as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with [generally accepted accounting principles ("GAAP") OR alternate accounting principles as described in the Official Statement] will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been previously filed with each of the National Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Bonds constitutes a Notice Event:

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 relating to the Bonds 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 Bonds;
7. Modifications to rights of Bond holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds;
11. Rating changes on the Bonds;
12. Failure to provide annual financial information as required; and
13. Other material event notice (specify) _____.

The Issuer shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the State Depository (if any) and (i) each National Repository, or (ii) the MSRB in accordance with Section 2 e (iv) hereof.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, and Voluntary Reports filed pursuant to Section 7(a), the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination

Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Reports.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file information with the Repositories, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a “Voluntary Report”).

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to an issue of the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds of such issue, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC’s services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days’ prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders’ rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties’ obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent’s obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer’s failure to report to the Disclosure Dissemination Agent a Notice Event or

a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

SILOAM SPRINGS SCHOOL DISTRICT NO. 21 OF
BENTON COUNTY, ARKANSAS, as Issuer

By: _____
Name: _____
Title: _____

APPENDIX B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Issuer: Siloam Springs School District No. 21 of Benton County, Arkansas
Obligated Person: Siloam Springs School District No. 21 of Benton County, Arkansas
Name of Bond Issue: Siloam Springs School District No. 21 of Benton County, Arkansas
Construction Bonds, Series B, dated March 1, 2009
Date of Issuance: March 26, 2009

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement, dated as of March 26, 2009, between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

DIGITAL ASSURANCE CERTIFICATION,
L.L.C., as Disclosure Dissemination Agent, on
behalf of the Issuer

cc: Issuer
Obligated Person

**APPENDIX C
EVENT NOTICE COVER SHEET**

This cover sheet and material event notice will be sent to all Nationally Recognized Municipal Securities Information Repositories, and any State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Siloam Springs School District No. 21 of Benton County, Arkansas

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

Number of pages of attached: _____

____ Description of Material Event Notice (Check One):

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. ___ Modifications to rights of securities holders
8. ___ Bond calls
9. ___ Defeasances
10. ___ Release, substitution, or sale of property securing repayment of the securities
11. ___ Rating changes
12. ___ Other material event notice (specify)

____ Failure to provide annual financial information as required

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____

Title: _____

Employer: Digital Assurance Certification, L.L.C.

Address:

City, State, Zip Code:

Voice Telephone Number: