

THIS PRELIMINARY OFFICIAL STATEMENT AND INFORMATION CONTAINED HEREIN ARE SUBJECT TO CHANGE, COMPLETION OR AMENDMENT WITHOUT NOTICE. THE BONDS MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE PRELIMINARY OFFICIAL STATEMENT IS DELIVERED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY OFFICIAL STATEMENT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE BONDS IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH JURISDICTION.

## PRELIMINARY OFFICIAL STATEMENT

### New Issue Book-Entry Only

Rating: : S&P “A” (stable outlook)

*In the opinion of Bond Counsel, under existing law, assuming compliance with certain covenants described herein, (i) interest on the Series 2017A Bonds is excludable from gross income for federal income tax purposes subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must have been or must be satisfied prior to or subsequent to the issuance of the Series 2017 Bonds, (ii) interest on the Series 2017 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 Series 2017 Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax, (iv) the Series 2017A Bonds are “qualified tax-exempt obligations,” (v) interest on the Series 2017 Bonds is exempt from State of Arkansas income tax, and (vi) the Series 2017 Bonds are exempt from all state, county and municipal taxes in the State of Arkansas. INTEREST ON THE SERIES 2017B BONDS IS NOT EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. (See LEGAL MATTERS, Tax Exemption.)*

**\$10,000,000\***

**CITY OF CENTERTON, ARKANSAS  
SALES AND USE TAX REFUNDING AND  
IMPROVEMENT BONDS  
TAX-EXEMPT SERIES 2017A**

**\$2,935,000\***

**CITY OF CENTERTON, ARKANSAS  
SALES AND USE TAX REFUNDING BONDS  
TAXABLE SERIES 2017B**

Dated: Date of Delivery

Due: November 1, as shown below

The Series 2017 Bonds of each maturity and interest rate 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 Series 2017 Bonds will be available for purchase in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Series 2017 Bonds will not receive physical delivery of Series 2017 Bonds. Payments of principal of and interest on the Series 2017 Bonds will be made by Bank of the Ozarks, Little Rock, Arkansas, as the Trustee (the “Trustee”), directly to Cede & Co., as nominee for DTC, as registered owner of the Series 2017 Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Series 2017 Bonds, all as further described herein.

Principal of and interest on the Series 2017 Bonds are payable from a pledge of receipts derived by the City of Centerton, Arkansas (the “City”) from a 1% sales and use tax levied by the City and approved by the voters of the City at a special election on September 12, 2017. See **SECURITY FOR THE SERIES 2017 BONDS** herein. The Series 2017 Bonds are being issued to finance the costs of advance refunding the City’s outstanding Sales and Use Tax Refunding and Improvement Bonds, Series 2015, to provide funds to fund certain capital improvements of a public nature, and to pay costs associated with the issuance of the Series 2017 Bonds. See **PURPOSES FOR THE SERIES 2017 BONDS** herein.

Interest on the Series 2017 Bonds is payable on each May 1 and November 1 of each year, commencing May 1, 2018. The Series 2017 Bonds mature, bear interest and are priced as set forth on the inside cover of this Preliminary Official Statement. The Bonds are subject to redemption prior to maturity as is more fully described in **THE SERIES 2017 BONDS, Redemption** herein.

The Bonds are offered when, as and if issued, subject to the approval of Rose Law Firm, a professional association, Little Rock, Arkansas, and Williams & Anderson, PLC, Little Rock Arkansas, co-bond counsel. Certain legal matters will be passed upon for the underwriter by Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., Little Rock, Arkansas, counsel to the underwriter. It is expected that the Bonds will be available for delivery at the facilities of DTC in New York, New York on or about November 1, 2017.

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

**RAYMOND JAMES®**

Dated: \_\_\_\_\_, 2017

\*Preliminary. Subject to change.

**\$10,000,000\***  
**CITY OF CENTERTON, ARKANSAS**  
**SALES AND USE TAX REFUNDING AND IMPROVEMENT BONDS**  
**TAX-EXEMPT SERIES 2017A**

\$4,245,000 Serial Bonds

<u>Year</u> (November 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>***</sup>
2027	\$80,000	%	%	
2028**	355,000			
2029**	370,000			
2030**	380,000			
2031**	395,000			
2032**	410,000			
2033**	425,000			
2034	435,000			
2035	450,000			
2036	465,000			
2037	480,000			

\$5,755,000 Term Bonds  
\$2,645,000 \_\_\_% Term Bonds Due November 1, 2042\*; Yield \_\_\_%; CUSIP \_\_\_  
\$3,110,000 \_\_\_% Term Bonds Due November 1, 2047\*; Yield \_\_\_%; CUSIP \_\_\_

**\$2,935,000\***  
**CITY OF CENTERTON, ARKANSAS**  
**SALES AND USE TAX REFUNDING BONDS**  
**TAXABLE SERIES 2017B**

\$2,935,000 Serial Bonds

<u>Year</u> (November 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>***</sup>
2018	\$270,000	%	%	
2019	275,000			
2020	280,000			
2021	285,000			
2022	295,000			
2023	305,000			
2024	310,000			
2025	320,000			
2026	330,000			
2027	265,000			

\*Preliminary. Subject to change.

\*\*Priced to November 1, 2026 optional redemption date.

\*\*\* CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the Series 2017 Bonds. The City and the Underwriter are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness by the City on the Series 2017 Bonds and by the Underwriter on the Series 2017 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2017 Bonds.

No dealer, broker, salesman or any other person has been authorized by the City or Raymond James & Associates, Inc. (the "Underwriter") to give any information or to make any representations other than those contained in this Preliminary Official Statement in connection with the offering of the Series 2017 Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City. Neither the delivery of this Preliminary Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the business, operations or financial condition of the City since the date hereof. This Preliminary Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

The Series 2017 Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Authorizing Ordinance described herein been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemption in such laws from such registration and qualification.

Certain information contained in this Preliminary Official Statement has been obtained from the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and nothing in this Preliminary Official Statement is to be construed as a representation by the Underwriter.

The CUSIP numbers shown herein have been assigned by an organization not affiliated with the City. Neither the City, the Underwriter nor the Trustee were responsible for the selection of CUSIP numbers, and neither make any representation as to the accuracy of such numbers on the Series 2017 Bonds or as indicated herein.

By its purchase of the Series 2017 Bonds, an investor is acknowledging that it has reviewed all the information it deems necessary to make an informed decision, and that it is not relying on any representation of the Underwriter or any of its officers, representatives, agents, or directors in reaching its decision to purchase the Bonds.

The investor, by its purchase of the Series 2017 Bonds, acknowledges its consent for the Underwriter to rely upon the investor's understanding of and agreement to the preceding two paragraphs as such relates to the disclosure and fair dealing obligations that may be applicable to the Underwriter under applicable securities laws and regulations.

THIS PRELIMINARY OFFICIAL STATEMENT INCLUDES "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED FROM TIME TO TIME (THE "EXCHANGE ACT"). ALL STATEMENTS REGARDING THE CITY'S EXPECTED FINANCIAL POSITION, BUSINESS AND FINANCING PLANS ARE FORWARD-LOOKING STATEMENTS. THE CITY BELIEVES THAT THE EXPECTATIONS REFLECTED IN SUCH FORWARD-LOOKING STATEMENTS, AND THE ESTIMATES AND ASSUMPTIONS, ON WHICH THEY ARE BASED, ARE REASONABLE. HOWEVER, ESTIMATES AND ASSUMPTIONS ARE INHERENTLY UNCERTAIN, AND NO ASSURANCE CAN BE GIVEN THAT THEY WILL PROVE TO BE CORRECT OR THAT EXPECTATIONS BASED UPON THEM WILL BE REALIZED. THE CITY THEREFORE CANNOT AND DOES NOT WARRANT THAT THE RESULTS CONTEMPLATED BY SUCH FORWARD-LOOKING STATEMENTS WILL BE ACHIEVED, AND IT IS LIKELY THAT ACTUAL RESULTS WILL DIFFER MATERIALLY FROM THOSE CONTEMPLATED BY SUCH FORWARD-LOOKING STATEMENTS. ACCORDINGLY, UNDUE RELIANCE SHOULD NOT BE PLACED UPON SUCH FORWARD-LOOKING STATEMENTS.

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## CONTENTS OF PRELIMINARY OFFICIAL STATEMENT

INTRODUCTION TO PRELIMINARY OFFICIAL STATEMENT .....	1
THE SERIES 2017 BONDS .....	3
Book Entry Only System .....	3
Generally .....	5
Redemption .....	6
PURPOSES FOR THE SERIES 2017 BONDS .....	9
Voter Approved Bonds .....	9
Series 2017 Bonds - Purposes .....	9
Escrow Agreement .....	9
Additional Parity Bonds .....	10
ESTIMATED SOURCES AND USES .....	10
Series 2017A Bonds .....	10
Series 2017B Bonds .....	10
SECURITY FOR THE SERIES 2017 BONDS .....	11
General .....	11
Debt Service Reserve or Surety Bond .....	11
Additional Bonds .....	11
The Tax .....	11
Administration .....	12
Historical Tax Receipts .....	12
Future Tax Receipts .....	12
DEBT SERVICE REQUIREMENTS .....	14
DEBT SERVICE COVERAGE .....	15
PROJECTED MANDATORY REDEMPTION .....	16
THE CITY AND THE COUNTY .....	17
Location .....	17
Population .....	17
Transportation .....	17
City Council and Administration .....	17
Medical Facilities .....	17
Financial Institutions .....	18
Education .....	18
Employers .....	18
Litigation .....	18
City and County Economic Data .....	19
THE AUTHORIZING ORDINANCE .....	20
The Bond Fund .....	20
Investments .....	21
Certain Covenants .....	22
Defaults and Remedies .....	22

Defeasance .....	23
The Trustee .....	24
Amendment of Authorizing Ordinance.....	24
CONTINUING DISCLOSURE AGREEMENT .....	25
VERIFICATION OF ESCROW SUFFICIENCY AND YIELD.....	26
LEGAL MATTERS.....	26
Legal Proceedings.....	26
Legal Opinions.....	26
Tax Exemption.....	26
Bank Qualification, Qualified Tax Exempt Obligations.....	27
Original Issue Discount Bonds .....	28
Premium Bond .....	28
BONDHOLDERS' RISKS .....	29
General.....	29
Enforceability of Remedies.....	30
MISCELLANEOUS .....	30
Underwriting.....	30
No Rating.....	30
Information in Preliminary Official Statement .....	31
 EXHIBIT A - Summary of State Sales and Use Tax Provisions	
 EXHIBIT B - Form of Bond Counsel Opinion	
 EXHIBIT C - Form of Continuing Disclosure Agreement	

## PRELIMINARY OFFICIAL STATEMENT

**\$10,000,000\***  
**CITY OF CENTERTON, ARKANSAS**  
**SALES AND USE TAX REFUNDING AND**  
**IMPROVEMENT BONDS**  
**TAX-EXEMPT SERIES 2017A**

**\$2,935,000\***  
**CITY OF CENTERTON, ARKANSAS**  
**SALES AND USE TAX REFUNDING BONDS**  
**TAXABLE SERIES 2017B**

### INTRODUCTION TO PRELIMINARY OFFICIAL STATEMENT

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

This Preliminary Official Statement of the City of Centerton, Arkansas (the “City”) is furnished in connection with the offering by the City of its \$10,000,000\* principal amount of Sales and Use Tax Refunding and Improvement Bonds, Tax-Exempt Series 2017A (the “Series 2017A Bonds”) and its \$2,935,000\* principal amount of Sales and Use Tax Refunding Bonds, Taxable Series 2017B (the “Series 2017B Bonds”) and together with the Series 2017A Bonds, the “Series 2017 Bonds” or the “Bonds”). The Series 2017 Bonds are being issued for the purpose of: (a) advance refunding the City’s Sales and Use Tax Refunding and Improvement Bonds, Series 2015 with an outstanding principal balance of approximately \$4,345,000\* (the “Series 2015 Bonds”); (b) finding costs of improvements of a public nature including new facilities and/or improvements to existing facilities: (i) City administrative facilities, including particularly, without limitation, a new city hall and improvements to existing administrative facilities, including related administrative offices, courts, equipment, furnishings, lighting, library, utility and parking improvements and any land acquisition for or within such facilities (the “City Administrative Facilities”); (ii) streets, roads and bridges, including any curb, gutter and drainage improvements, equipment and land acquisition to accomplish such improvements, and street lighting, utility adjustments, sidewalks and traffic signals related thereto (the “Street Improvements”) (iii) public park and recreational facilities and improvements, including particularly, without limitation, land acquisition for future parks, renovations and improvements to existing parks, and ball fields and parking, furnishings, equipment, drainage, lighting and utility improvements therefor (the “Parks and Recreational Improvements” and collectively with the City Administrative Facilities, the Street Improvements, the Parks and Recreational Improvements, the “Improvements”); (c) funding a debt service reserve; and (d) paying the costs of issuing the Series 2017 Bonds. See **PURPOSES FOR THE SERIES 2017 BONDS**.

The City is a city of the first class organized under the laws of the State of Arkansas (the “State”) and is located in Benton County, Arkansas (the “County”), which is in northwestern Arkansas and is approximately 210 miles northwest of Little Rock, Arkansas. The City is authorized and empowered under the laws of the State, including particularly Amendment No. 62 to the Constitution of the State of Arkansas (“Amendment 62”) and Title 14, Chapter 164, Subchapter 3 of the Arkansas Code of 1987 Annotated (the “Local Government Bond Act” and together with Amendment 62, the “Authorizing Legislation”) to issue the Series 2017 Bonds and to expend the proceeds thereof for the intended purposes. See **THE CITY AND THE COUNTY**.

The Series 2017 Bonds are not general obligations of the City, but are special obligations payable from a pledge of receipts derived by the City from net collections of a 1% sales and use tax (the “Tax”) to be levied under the authority of the Authorizing Legislation. See **SECURITY FOR THE SERIES 2017 BONDS, The Tax**. The Tax was approved initially by the electors of the City at a special election held on September 12, 2017 pursuant to Ordinance No. 2017-37 of the City adopted on July 11, 2017 (the “Election Ordinance”). The Tax replaces the City’s 1% sales and use tax levied pursuant to Ordinance No. 05-85 of the City adopted October 11, 2005 (the “2005 Tax”), and the effective date of the Tax is the day following the date the 2005 Tax expires. The issuance of the Series 2017 Bonds and the pledging of the Tax to the payment of the principal of and interest on the Series 2017 Bonds were approved at a special election held September 12, 2017. The Series 2017 Bonds are being issued pursuant to and in full compliance with Amendment 62, the Authorizing Legislation and Ordinance No. 2017-█ of the City, adopted on September 28, 2017 (the “Authorizing Ordinance”). See **THE AUTHORIZING ORDINANCE**. Collections of the Tax may only be used to pay obligations with respect to the Series 2017 Bonds and any Additional Parity Bonds (hereinafter defined). See **SECURITY FOR THE SERIES 2017 BONDS, The Tax**.

Pursuant to the provisions of the Authorizing Ordinance, the Series 2017 Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or integral multiple thereof. Interest is payable May 1, 2018, and semiannually thereafter on each November 1 and May 1. Principal is payable at the principal office of the Trustee. Interest is payable by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Series 2017 Bonds shall be the fifteenth (15<sup>th</sup>) day of the calendar month next preceding each interest payment date. A Series 2017 Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the Series 2017 Bond, together with a written instrument of transfer, to the Trustee. See **THE SERIES 2017 BONDS, Generally**.

The City has reserved the right in the Authorizing Ordinance to issue up to \$18,410,000\* of Additional Parity Bonds (defined below) on a parity of security with the Series 2017 Bonds. See **SECURITY FOR THE SERIES 2017 BONDS**.

The Series 2017 Bonds will be initially issued in book-entry form and purchasers of the Series 2017 Bonds will not receive certificates representing their interest in the Series 2017 Bonds purchased. See **THE SERIES 2017 BONDS, Book-Entry Only System**. The Series 2017 Bonds will contain such other terms and provisions as described herein. See **THE SERIES 2017 BONDS, Generally**.

The Series 2017A Bonds are subject to optional redemption on and after November 1, 2026. The Series 2017B Bonds are not subject to optional redemption. The Series 2017A Bonds maturing on November 1, 2042 and November 1, 2047 are subject to mandatory sinking fund redemption as described herein. In addition, the Series 2017 Bonds are subject to extraordinary redemption from Surplus Tax Collections (as hereinafter defined) and proceeds of the Series 2017 Bonds not needed for the purposes intended. The Trustee shall give at least thirty (30) days’ notice of redemption. See **THE SERIES 2017 BONDS, Redemption**.

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Preliminary. Subject to change.



Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Series 2017A Bonds is excludable from gross income for federal income tax purposes subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must have been or must be satisfied prior to or subsequent to the issuance of the Series 2017 Bonds, (ii) interest on the Series 2017 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 Series 2017 Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax, (iv) the Series 2017A Bonds are “qualified tax-exempt obligations,” (v) interest on the Series 2017 Bonds is exempt from State of Arkansas income tax, and (vi) the Series 2017 Bonds are exempt from all state, county and municipal taxes in the State of Arkansas. See **LEGAL MATTERS**, Tax Exemption.

It is expected that the Series 2017 Bonds will be available for delivery on or about November 1, 2017 through the facilities of the Depository Trust Company in New York, New York.

The City and Bank of the Ozarks, as dissemination agent, have entered into a Continuing Disclosure Agreement in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Continuing Disclosure Agreement”). See **CONTINUING DISCLOSURE AGREEMENT**.

This Preliminary Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Authorizing Ordinance and the Continuing Disclosure Agreement summarized herein are available upon request from Raymond James, 100 Morgan Keegan Drive, Suite 400, Little Rock, Arkansas 72202.

### **THE SERIES 2017 BONDS**

Book-Entry Only System. The Depository Trust Company (“DTC”), New York, New York, or its successor, will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Bond certificate for each maturity and interest rate will be issued in the principal amount of the maturity and interest rate, 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 transaction in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, AND EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file

with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 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 Series 2017 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 Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent to Cede & Co. If fewer than all of the Series 2017 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 to vote with respect to the Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Series 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

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

**So long as the Series 2017 Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Series 2017 Bonds for all purposes under the Authorizing Ordinance, including receipt of all principal of and interest on the Series 2017 Bonds and receipt of notices. The City and the Trustee have no responsibility or obligation to Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2017 Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Authorizing Ordinance to be given to owners of the Series 2017 Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Series 2017 Bonds.**

Generally. The Series 2017 Bonds shall be dated, mature and bear interest and interest is payable on the Series 2017 Bonds as set forth on the cover page hereof. The Series 2017 Bonds are issuable in the form of registered bonds without coupons in denominations of \$5,000 or any integral multiple number thereof. In the event any Series 2017 Bond is mutilated, lost or destroyed, the Trustee shall authenticate and deliver to the registered owner a new Bond in accordance with the provisions therefor in the Authorizing Ordinance.

Each Series 2017 Bond is exchangeable or transferable by any registered owner thereof or by his, her or its attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Series 2017 Bond or Series 2017 Bonds of the same maturity and interest rate, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to the owner of any Series 2017 Bond for the privilege of registration, but any owner requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Series 2017 Bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. Neither the City nor the Trustee shall be required to transfer or exchange any Series 2017 Bonds selected for redemption in whole or in part.

The person in whose name any Series 2017 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of, premium, if any, or interest on any Series 2017 Bond shall be made only to or upon the order of the registered owner thereof or his, her or its legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2017 Bond to the extent of the sum or sums so paid.

In any case where the payment date of interest on or principal of any Series 2017 Bonds or the date fixed for redemption of any Series 2017 Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or

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

Redemption. The Series 2017 Bonds are subject to optional, extraordinary, and mandatory sinking fund redemption as follows:

(1) Optional Redemption. The Series 2017A Bonds are subject to redemption at the option of the City, from funds from any source, on and after November 1, 2026, in whole or in part at any time, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order of maturity. If fewer than all of the Series 2017A Bonds of any one maturity and interest rate shall be called for redemption, the particular Series 2017A Bonds or portion thereof to be redeemed from such maturity and interest rate shall be selected by lot by the Trustee. The Series 2017B Bonds are not subject to optional redemption.

(2) Extraordinary Redemption. The Series 2017A Bonds or portions thereof may be redeemed on any interest payment date from moneys in the Construction Fund not needed to complete the Improvements at any time on or after November 1, 2020, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order of maturity. If fewer than all of the Series 2017A Bonds of any one maturity and interest rate shall be called for redemption, the particular Series 2017A Bonds or portion thereof to be redeemed from such maturity and interest rate shall be selected by lot by the Trustee.

(3) Surplus Redemption. The Series 2017 Bonds or portions thereof may be redeemed on any interest payment date from moneys in the Construction Fund not needed to complete the Improvements, if any, after November 1, 2026, in inverse order of maturity, and Series 2017 Bonds within a maturity to be selected by lot in such manner as the Trustee shall determine to be fair and equitable, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. In addition, the Series 2017 Bonds and any Additional Parity Bonds, or portions thereof, shall be redeemed by the City from Surplus Tax Receipts, at least annually, on any interest payment date, in whole or in part, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date, as more particularly set forth below. The City has covenanted in the Authorizing Ordinance that “Surplus Tax Receipts”, being collections from the Tax in excess of the amount necessary to (a) ensure the prompt payment of the principal of, interest on and Trustee’s and administrative fees and expenses in connection with the Series 2017 Bonds and any Additional Parity Bonds as the same become due, (b) establish and maintain the Debt Service Reserve Account in the required amount, and (c) make any arbitrage rebate payment due the United States, must be used from time to time, at least annually, as and to the extent available, to redeem outstanding bonds prior to maturity.

If there are no Additional Parity Bonds outstanding, the City first shall apply 100% of the Surplus Tax Receipts to the redemption of the Series 2017A Bonds until all such Series 2017A Bonds are redeemed and then to the Series 2017B Bonds. If there are Additional Parity Bonds outstanding, the City shall allocate the Surplus Tax Receipts ratably (based on relative outstanding principal amounts) to redeem the Series 2017 Bonds (aggregating the outstanding principal amounts of the Series 2017A Bonds and the Series 2017B Bonds) and Additional Parity Bonds. In the event of a redemption from Surplus Tax Receipts, the bond so redeemed shall be redeemed in inverse order of maturity and by lot within a maturity in such manner as the Trustee shall determine.

In the case of defeasance of the Series 2017 Bonds, redemption of defeased Series 2017 Bonds shall be scheduled on the basis of the mandatory redemption requirements and assuming annual Tax Receipts in an amount equal to Tax Receipts for the twelve-month period that ends not less than 30 and not more than 90 days prior to the defeasance. In the event Series 2017A Bonds and Series 2017B Bonds are outstanding in the same maturity, the Trustee shall redeem the Series 2017A Bonds first.

(4) Mandatory Sinking Fund Redemption\*. To the extent not previously redeemed, the Series 2017A Bonds maturing on November 1, 2042 and November 1, 2047 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on November 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Series 2017A Bonds Maturing November 1, 2042

<u>Year</u>	<u>Principal Amounts</u>
2038	\$495,000
2039	510,000
2040	530,000
2041	545,000
2042 (maturity)	565,000

Series 2017A Bonds Maturing November 1, 2047

<u>Year</u>	<u>Principal Amounts</u>
2043	\$580,000
2044	600,000
2045	620,000
2046	645,000
2047 (maturity)	665,000

Preliminary. Subject to change.

The provisions for extraordinary and mandatory sinking fund redemption of the Series 2017 Bonds are subject to the provisions of the Authorizing Ordinance that permit the City to use moneys available for such redemption in the bond fund established for the Series 2017 Bonds and any Additional Parity Bonds to purchase Series 2017 Bonds and/or Additional Parity Bonds having a maturity that would be subject to redemption on the next interest payment date at a price not in excess of par plus accrued interest, inclusive of brokerage fees. The City shall receive credit, at par, for Series 2017 Bonds and any Additional Parity Bonds acquired by the City and surrendered to the Trustee not less than 40 days prior to the redemption date.

In case any outstanding Series 2017 Bond is in a denomination greater than \$5,000, each \$5,000 of face value of such Series 2017 Bond shall be treated as a separate Series 2017 Bond of the denomination of \$5,000.

In the case of any redemption of Series 2017 Bonds prior to maturity, the Trustee shall mail a copy of the redemption notice, or deliver by other acceptable standard, including by facsimile, to the registered owners of the Series 2017 Bonds to be redeemed, in each case not less than 30 nor more than 60 days prior to the date of redemption. After the date for redemption, no further interest shall accrue on any

Series 2017 Bond called for redemption if funds for redemption of such Series 2017 Bond have been deposited with the Trustee as provided in the Authorizing Ordinance.

Notwithstanding the above, so long as the Series 2017 Bonds are issued in book-entry only form, if fewer than all the Series 2017 Bonds of an issue are called for redemption, the particular Series 2017 Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the Series 2017 Bonds are issued in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee for DTC. **The Trustee will not give any notice of redemption to the Beneficial Owners of the Series 2017 Bonds.**

Otherwise, any selection of Series 2017 Bonds by lot shall be effected by the Trustee, by any method chosen by the Trustee in its discretion.

**PURPOSES FOR THE SERIES 2017 BONDS**

Voter Approved Bonds. At the special election held September 12, 2017, there was approved the issuance of bonds in the aggregate principal amount of \$33,055,000 for the purpose of financing the following:

- (a) advance refunding the Series 2015 Bonds (the “Refunding”), which Series 2015 Bonds - \$6,000,000;
- (b) administrative facilities, including particularly, without limitation, a new city hall and improvements to existing administrative facilities, including related administrative offices, courts, equipment, furnishings, lighting, library, utility and parking improvements and any land acquisition for or within such facilities (the “City Administrative Facilities”) - \$4,760,000;
- (c) streets, roads and bridges, including any curb, gutter and drainage improvements, equipment and land acquisition to accomplish such improvements, and street lighting, utility adjustments, sidewalks and traffic signals related thereto (the “Street Improvements”) – \$15,855,000;
- (d) public park and recreational facilities and improvements, including particularly, without limitation, land acquisition for future parks, renovations and improvements to existing parks, and ball fields and parking, furnishings, equipment, drainage, lighting and utility improvements therefor (the “Parks and Recreational Improvements”) – \$4,320,000;
- (e) fire department facilities, equipment and apparatus (the “Fire Department Facilities”) – \$1,060,000; and
- (f) facility improvements, vehicles and other rolling stock and related apparatus for the police department (the “Police Department Facilities”) - \$1,060,000.

The City Administrative Facilities, the Street Improvements the Parks and Recreational Improvements the Fire Department Facilities and the Police Department Facilities, collectively referred to as the “Improvements”.

Series 2017 Bonds and Purposes. The City is issuing \$12,935,000\* of the voter approved bonds for the following purposes, in addition to funding a debt service reserve for the Series 2017 Bonds and paying costs of issuance of the Series 2017 Bonds:

- (a) \$\_\_\_\_\_ for City Administrative Facilities;
- (b) \$\_\_\_\_\_ for Street Improvements;
- (c) \$\_\_\_\_\_ for Parks and Recreational Improvements; and
- (d) \$\_\_\_\_\_ for advance refunding of the Series 2015 Bonds.

Escrow Agreement. The principal and interest due on the Series 2015 Bonds are to be paid to and including the redemption date (i.e. January 1, 2025) from funds and direct obligations of the United States of America to be deposited pursuant to a certain Escrow Agreement (the “Escrow Agreement”) between the City and Bank of the Ozarks, Little Rock, Arkansas (the “Escrow Agent”). The Authorizing

Ordinance provides that from the proceeds of the sale of the Series 2017 Bonds, the City will deposit with the Escrow Agent cash and direct obligation of the United States (the “Escrowed Securities”) in amounts sufficient to accomplish the discharge and final payment of the Series 2015 Bonds on the redemption date.

In connection with the issuance of the Series 2017 Bonds, the City will give irrevocable instructions to provide notice to owners of the Series 2015 Bonds that the Series 2015 Bonds will be redeemed prior to their stated maturity on the redemption date. By deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the City has effected a defeasance of the Series 2015 Bonds pursuant to the terms of the ordinance authorizing the Series 2015 Bonds.

Additional Parity Bonds. The \$18,410,000\* in maximum principal amount of capital improvement bonds approved at the September 12, 2017 special election for the Fire Department Facilities and Police Department Facilities and the remaining City Administrative Facilities, Street Improvements, Parks and Recreational Improvements that are not being issued at this time are hereinafter referred to as “Additional Parity Bonds”. No Additional Parity Bonds will be issued to refund any additional Series 2015 Bonds, which will be refunded in their entirety by the Series 2017 Bonds.

\_\_\_\_\_  
Preliminary. Subject to change.

### ESTIMATED SOURCES AND USES

The City will provide a debt service reserve and pay costs of issuing the Series 2017 Bonds from Series 2017 Bond proceeds. The proceeds of the Series 2017 Bonds and funds held for the Series 2015 Bonds refunded are estimated to be used to accomplish the Refunding and the Improvements as follows\*:

#### Sources Of Funds

	<u>Series 2017A</u> <u>Bonds</u>	<u>Series 2017B</u> <u>Bonds</u>	<u>Total Series</u> <u>2017 Bonds</u>
Par Amount	\$10,000,000.00*	\$2,935,000*	\$12,935,000*
Transfer from Series 2015 Debt Service Fund	0	368,000	368,000
Net Original Issue Premium (or Discount)	_____	_____	_____
<b>Total Sources:</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>

#### Uses Of Funds

	<u>Series 2017A</u> <u>Bonds</u>	<u>Series 2017B</u> <u>Bonds</u>	<u>Total Series</u> <u>2017 Bonds</u>
Deposit to Escrow Fund	\$ _____		
Deposit to Series 2017 Construction Fund	_____		
Deposit to Debt Service Reserve Fund	_____		
Underwriter’s Discount	_____		
Rounding Amount	_____		
Costs of Issuance <sup>±</sup>	_____		
<b>Total Uses:</b>	<b>\$ _____</b>		

\*Preliminary. Subject to change.

<sup>±</sup>Includes, among other costs, trustee fees, rating agency fees, bond insurance premium, and counsel fees.



## **SECURITY FOR THE SERIES 2017 BONDS**

General. The Series 2017 Bonds are not general obligations of the City but are special obligations, secured by the pledge of receipts of the Tax (“Tax Receipts”). Tax Receipts shall be used first to pay the principal of and interest on the Series 2017 Bonds, and thereafter to pay Trustee’s fees and expenses and other administrative charges, to pay any arbitrage rebate due under Section 148(f) of the Code, and to maintain the debt service reserve, hereinafter described, at the required level. Following the defeasance of the Series 2015 Bonds, any receipts of the 2005 Tax shall be used to pay principal of and interest on the Series 2017 Bonds. The Series 2017 Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE**.

Debt Service Reserve. A debt service reserve will be maintained in the Debt Service Reserve Account in an amount equal to one-half (i.e. 50%) the maximum annual debt service on the Series 2017 Bonds and any Additional Parity Bonds (based on a year ending November 1). See **THE AUTHORIZING ORDINANCE**, The Bond Fund. The debt service reserve will be funded with cash. See **THE AUTHORIZING ORDINANCE**, The Bond Fund.

Additional Bonds. The City has reserved the right in the Authorizing Ordinance to issue Additional Parity Bonds on parity or security with the Series 2017 Bonds in an amount not to exceed \$18,410,000\*. The City covenants that it will not otherwise issue any other bonds, or incur any other additional obligations, secured by a lien on or pledge of the Tax Receipts prior to the lien and pledge in favor of the outstanding Bonds. Additional Parity Bonds may be issued so long as the City has received collections from the Tax or another 1% local sales and use tax levied by the City for a 12 month period that ends not less than 30 and not more than 90 days prior to the date that the Additional Parity Bonds are authorized by the City Council of the City to be issued, in an amount equal to or in excess of 125% of the maximum annual debt service requirement for the Series 2017 Bonds, any outstanding Additional Parity Bonds and the Additional Parity Bonds proposed to be issued.

The Tax. Pursuant to the Authorizing Legislation, the City has levied the Tax pursuant to the Tax Ordinance. The Tax is a tax within the City on all items that are subject to taxation under The Arkansas Gross Receipts Act of 1941 and a tax on the receipts from storing, distributing, using or consuming tangible personal property under The Arkansas Compensating (Use) Tax Act of 1949.

The Streamline Sales and Use Tax Agreement (“Streamline”) has been adopted by the State and became effective on January 1, 2008. Streamline amended Arkansas sales and use tax law to allow the State to collect sales and use taxes from internet sales from vendors outside the State. Streamline limits the collection of the local sales and use tax on the first \$2,500 of sales proceeds only on the following sales: motor vehicles, aircraft, watercraft, modular homes, manufactured homes or mobile homes. There is no limit of the amount of local sales and use tax to be paid on all other items. The State allows businesses, nonprofits and governmental entities to file for a credit or rebate on a local sales and use tax if the amount on an invoice totals more than \$2,500 on certain qualified purchases. Claims for credit or rebates must be filed with the Arkansas Department of Finance and Administration (“DF&A”) within six (6) months from the date of purchase or six (6) months from the date of payment, if later. DF&A will then cause the State Treasurer to withhold the amount of the refund from future disbursements to the local government levying the sales and use tax. Prior to January 1, 2008, sales and use taxes were collected on the first \$2,500 of sales proceeds for each single transaction, as defined by the City.

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\*Preliminary. Subject to change.

Pursuant to Act 757 of 2011 (the “Sales Tax Holiday Act”), the State has created an annual sales tax holiday in which clothing (that are less than \$100 per item), clothing accessories or equipment (that are less than \$50 per item), school art supplies, school instructional materials and school supplies are exempt from taxation under The Arkansas Gross Receipts Tax Act of 1941. The annual sales tax holiday is from 12:01 a.m. on the first Saturday in August until 11:59 p.m. the following Sunday. The City cannot predict the future impact of the Sales Tax Holiday Act.

Set forth in Exhibit A attached hereto is a summary of certain provisions of the statutes authorizing the Tax. The summary does not purport to be complete statements of the laws. Reference is made to the Arkansas Code Annotated §26-52-101 et seq. and 26-53-101 et seq. for the full text and complete descriptions of such provisions.

Administration. Pursuant to the Authorizing Legislation, the Commissioner of Revenues of the State (the “Commissioner”) performs all functions incidental to the administration, collection, enforcement and operation of the Tax. All Tax Receipts collected, less certain charges payable and retainage due the Commissioner for administrative services in the amount of 3% of the gross Tax Receipts, shall be remitted by the State Treasurer to the City monthly. See **THE AUTHORIZING ORDINANCE, The Bond Fund.**

Historical Tax Receipts. The City has collected the 2005 Tax since December 15, 2005. Historical receipts of the 2005 Tax received by the City for calendar years ended December 31 of each of 2012, 2013, 2014, 2015, and 2016 are as follows<sup>1</sup>:

<b>2005 TAX RECEIPTS (CALENDAR YEAR)</b>		
Period	2005 Tax Receipts	Annual Growth (Decline)
2012	\$430,312	
2013	524,136	21.80%
2014	744,771	42.09%
2015	1,018,532	36.76%
2016	1,086,825	6.71%

Historical receipts of the 2005 Tax received by the City for 12-month periods ended August 31 of each of 2014, 2015, 2016, and 2017 are as follows<sup>2</sup>:

<b>2005 TAX RECEIPTS (12-MONTHS ENDED AUG. 31)</b>		
Period	2005 Tax Receipts	Annual Growth (Decline)
2013	\$490,193	
2014	617,965	26.07%
2015	975,234	57.81%
2016	1,067,106	9.42%
2017	1,151,753	7.93%

Future Tax Receipts. Tax Receipts will be contingent upon the sale and use of property and services within the City, which activity is generally dependent upon economic conditions within the City and

<sup>1</sup>Source: Arkansas State Treasurer.

<sup>2</sup>Source: Arkansas State Treasurer.

surrounding trade area. Also, Tax Receipts may be affected by changes to transactions exempted from the Tax made by legislation adopted by the General Assembly of the State or by the people of the State in the form of a constitutional amendment. In the past the General Assembly of the State has considered new exemptions to the sales tax, such as food sales, which, if adopted, would materially reduce Tax Receipts. The City has no control over actions of the General Assembly or the people of the State and cannot predict whether changes to the Tax may be made. Accordingly, the City cannot predict with certainty the expected amount of Tax Receipts to be received and, therefore, there can be no assurance that Tax Receipts will be sufficient to pay the principal of and interest on the Series 2017 Bonds.

**DEBT SERVICE REQUIREMENTS**

The following tables show amounts required to pay scheduled principal and interest on the Series 2017 Bonds during each year. However, the City expects to retire the Series 2017 Bonds earlier than scheduled from Surplus Tax Collections through the use of redemptions of the Series 2017 Bonds. See **THE SERIES 2017 BONDS, Redemption and PROJECTED MANDATORY REDEMPTION.**

The following table shows amounts required to pay scheduled principal and interest on the Series 2017 Bonds during each year ending December 31\*.

Year Ending December 31	Series 2017A Principal	Series 2017A Interest	Series 2017B Principal	Series 2017B Interest	Total Debt Service
2017	-		-		
2018	-		\$270,000		
2019	-		275,000		
2020	-		280,000		
2021	-		285,000		
2022	-		295,000		
2023	-		305,000		
2024	-		310,000		
2025	-		320,000		
2026	-		330,000		
2027	\$80,000		265,000		
2028	355,000				
2029	370,000				
2030	380,000				
2031	395,000				
2032	410,000				
2033	425,000				
2034	435,000				
2035	450,000				
2036	465,000				
2037	480,000				
2038	495,000				
2039	510,000				
2040	530,000				
2041	545,000				
2042	565,000				
2043	580,000				
2044	600,000				
2045	620,000				
2046	645,000				
2047	665,000				
<b>TOTAL:</b>	<b>\$10,000,000</b>		<b>\$2,935,000</b>		

\* Preliminary, subject to change

**DEBT SERVICE COVERAGE**

Set forth below is the debt service coverage information for the Series 2017 Bonds. In arriving at the estimate of annual Tax Receipts for this calculation, the City examined receipts of the 2005 Tax for the 12 month period ended August 31, 2017. Receipts of the 2005 Tax during that period equaled \$1,151,753. See **SECURITY FOR THE SERIES 2017 BONDS, Historical Tax Receipts**.

Actual Tax Receipts collected by the City will depend upon, among other things, the level of retail activity within the City, the economic health of the City and surrounding trade area, possible future actions by the people of the State or General Assembly of the State defining transactions subject to the Tax and granting exemptions from the Tax, such as exemptions for food sales. The figures set forth below are only estimates based on actual collections of the Tax and there can be no assurance that future Tax Receipts will equal the estimate shown below. See **SECURITY FOR THE SERIES 2017 BONDS, Future Tax Receipts**.

Until such time as Additional Parity Bonds are issued the City will apply 100% of Surplus Tax Receipts to the redemption of the Series 2017 Bonds. At such time as Additional Parity Bonds are issued, the City will apply the Surplus Tax Receipts on a ratable basis to redeem the Series 2017 Bonds and the Additional Parity Bonds. See **THE SERIES 2017 BONDS, Surplus Redemption**. The City currently anticipates that approximately \$4,165,000 of the \$18,410,000\* remaining authorized and unissued bonds for the remaining Improvements will be issued as Additional Parity Bonds on November 1, 2021; provided, that the amount available for the Additional Parity Bonds may increase or decrease in accordance with the final allocation of the Series 2017 Bonds. There is no assurance that Additional Parity Bonds will be issued in such amount or on such date. The Authorizing Ordinance requires a minimum 1.25x combined debt service coverage for the Series 2017 Bonds and any Additional Parity Bonds. See **SECURITY FOR THE SERIES 2017 BONDS, Additional Bonds**. Based upon the forgoing estimates and assuming an average coupon rate of 3.35% for the Series 2017 Bonds and the anticipated \$4,165,000 of Additional Parity Bonds to be issued in 2021, the initial debt service coverage on the Series 2017 Bonds prior to and after the issuance of the anticipated Additional Parity Bonds would be as follows:

**Initial Debt Service Coverage Prior to Issuance of Additional Parity Bonds:**

Estimated Tax Receipts <sup>(A)(1)</sup>	\$1,151,753.00
Maximum Annual Debt Service <sup>(B)(2)</sup>	\$692,512.50*
Estimated Debt Service Coverage <sup>(A/B)</sup>	1.66X*

<sup>(1)</sup> Tax receipts of the Existing Sales Tax for the 12-month period ending August 31, 2017.

<sup>(2)</sup> Includes the Series 2017 Bonds, and assumes an average coupon of 3.35%.

\* Preliminary, subject to change.

**Initial Debt Service Coverage Following Issuance of Anticipated Additional Parity Bonds:**

Estimated Tax Receipts <sup>(A)(1)</sup>	\$1,151,753.00
Maximum Annual Debt Service <sup>(B)(2)</sup>	\$794,012.50*
Estimated Debt Service Coverage <sup>(A/B)</sup>	1.45X*

<sup>(1)</sup> Tax receipts of the Existing Sales Tax for the 12-month period ending August 31, 2017.

<sup>(2)</sup> Includes the Series 2017 Bonds after projected redemptions from Surplus Tax Receipts through November 1, 2021 plus \$4,165,000 of anticipated Additional Parity Bonds proposed to be issued in 2021, and assumes an average coupon of 3.35% on the Series 2017 Bonds and 4.0% on the Additional Parity Bonds.

\* Preliminary, subject to change.

**PROJECTED MANDATORY REDEMPTION**

The table under the caption **DEBT SERVICE REQUIREMENTS** does not reflect possible redemptions from the Surplus Tax Collections, if available. Surplus Tax Collections are derived solely from collections from the Tax in excess of the amount necessary to (1) ensure the prompt payment of the principal of, interest on and Trustee’s and administrative fees and expenses in connection with the Series 2017 Bonds and the approximately \$4,165,000 of currently anticipated Additional Parity Bonds to be issued on November 1, 2021, as the same become due, (2) establish and maintain the Debt Service Reserve Account in the required amount, and (3) make any arbitrage rebate payment due the United States, must be used from time to time, at least annually, as and to the extent available, to redeem outstanding bonds prior to maturity. Based upon Tax Receipts for the 12 month period ended August 31, 2017 and no projected growth, the City estimates that Tax Receipts will be approximately \$1,151,753. The entirety of the annual Tax Receipts will be used toward scheduled principal and interest payments on the Series 2017 Bonds. Once scheduled principal and interest payments are made, 100% of the excess Tax Receipts, which constitute Surplus Tax Collections, shall be used toward redemption of the Series 2017 Bonds and any Additional Parity Bonds. **THERE IS NO GUARANTEE THAT THESE ESTIMATES WILL ACTUALLY OCCUR.** See **SECURITY FOR THE SERIES 2015 BONDS, Future Tax Receipts**. The Series 2017 Bonds would be paid in full by November 1, 2036 from Surplus Tax Collections together with scheduled payments of principal and interest on the Series 2017 Bonds, if these estimates are accurate, as follows:

<u>Year Ending</u>	<u>Series 2017 Bonds Scheduled Principal*</u>	<u>Series 2017 Bonds Additional Principal Redeemed*</u>	<u>Total Series 2017 Bonds Principal Retired*</u>
2017	-	-	-
2018	\$270,000	\$365,000	\$635,000
2019	275,000	480,000	1,390,000
2020	280,000	500,000	2,170,000
2021	285,000	515,000	2,970,000
2022	295,000	255,000	3,520,000
2023	305,000	260,000	4,085,000
2024	310,000	280,000	4,675,000
2025	320,000	285,000	5,280,000
2026	330,000	295,000	5,905,000
2027	345,000	300,000	6,550,000
2028	355,000	315,000	7,220,000
2029	370,000	325,000	7,915,000
2030	380,000	335,000	8,630,000
2031	395,000	345,000	9,970,000
2032	410,000	355,000	10,135,000
2033	425,000	370,000	10,930,000
2034	435,000	385,000	11,750,000
2035	450,000	390,000	12,590,000
2036	140,000	205,000	12,935,000

\* Preliminary, subject to change

## THE CITY AND THE COUNTY

Location. The City is located in Benton County, Arkansas (the “County”), and is a city of the first class organized and existing under the laws of the state of Arkansas. The City is located in in northwestern Arkansas and is approximately 210 miles northwest of Little Rock, Arkansas. The City is four miles west of Bentonville, Arkansas and five miles north of the Northwest Arkansas Regional Airport.

Population. The County is comprised of 17 cities and a number of unincorporated townships. Since 1970, the population trend for the City and the County is as follows<sup>3</sup>:

<u>Year</u>	<u>City Population</u>	<u>County Population</u>
1970	312	50,476
1980	425	78,115
1990	491	97,499
2000	2,146	153,406
2005	5,621	186,756
2010	9,515	221,339
2015*	12,049	250,851
2016*	12,861	258,291

\*Estimates as of July 1 of each year per UALR Census Data Center

Transportation. The City is served by State Highways 102 and 279. The City is served by the Northwest Arkansas Regional Airport, located in nearby Highfill, which offers commercial service.

City Council and Administration.<sup>4</sup> The government of the City operates under the mayor-city council form of government, pursuant to which the mayor is elected for four-year terms and the members of City Council are elected for two-year terms. The current mayor (whose term expires December 31, 2018) and members of the City Council (whose terms expire December 31, 2018) are as follows:

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Bill Edwards	Mayor	2018
Todd Wright	City Clerk/Treasurer	2018
Brian Rabal	City Attorney	2018
Misty Elam	City Council Member	2018
Robin Reed	City Council Member	2018
Keith Higginbotham	City Council Member	2018
Josie Reed	City Council Member	2018
Wayne Low	City Council Member	2018
Darren Warren	City Council Member	2018

Medical Facilities. The County is served by two hospital systems, Mercy Medical Center, with 208 beds and is served by approximately 196 physicians, and Northwest Medical Center in Bentonville, with 128 beds and is served by approximately 104 physicians.

<sup>3</sup> Source: U.S. Bureau of the Census; 2010 Census.

<sup>4</sup> Source: Issuer.

Financial Institutions. Banks having branches in the City include Arvest Bank, Bank of Gravett, and The First National Bank of Fort Smith. Bank deposits in Benton County have been as follows for the years indicated<sup>5</sup>:

<u>Year (as of June 30)</u>	<u>Total Deposits</u>	<u>Average Annual Growth (%)</u>
2009	\$3,390,372,000	(0.9)
2010	3,408,084,000	0.5
2011	4,140,761,000	21.5
2012	4,740,491,000	14.5
2013	4,075,448,000	(14.0)
2014	4,007,810,000	(1.7)
2015	4,238,943,000	5.8
2016	4,380,415,000	3.3

Education. Primary and secondary education for the City’s inhabitants are provided by a public school system and is rated A by the Arkansas State Department of Education. Centerton is in the Bentonville School District, which has a total of 20 schools. The University of Arkansas is located 37 miles away in Fayetteville and Northwest Arkansas Community College is located in Bentonville, Arkansas.

Employers. The following are major employers within the County<sup>6</sup>:

<u>Employer</u>	<u>Industry</u>	<u>Number of Employees</u>
Walmart Stores, Inc.	Retail Department Stores	2,500+
J.B. Hunt Transport Services, Inc.	Trucking	2,500+
Rogers School District	Public Schools	1,000-2,499
Mercy Health System of Northwest Arkansas	Health Care	1,000-2,499
Bentonville School District	Public Schools	1,000-2,499
Simmons Foods, Inc.	Poultry Processing	1,000-2,499
McKee Foods Corporation	Snack Cakes	1,000-2,499
Arvest Bank Group	Holding Companies	1,000-2,499
Tyson Foods, Inc.	Poultry Processing	500-999

Litigation. There is no material litigation pending or threatened against the City that would materially adversely affect the financial condition of the City.

<sup>5</sup> Source: Federal Deposit Insurance Corporation

<sup>6</sup> Source: Arkansas Economic Development Commission



City and County Economic Data.

**Per Capita Personal Income.** Per capita personal income estimates for the County are as follows<sup>7</sup>:

<u>Year</u>	<u>Per Capita Personal Income</u>	<u>Average Annual Growth (%)</u>
2009	\$48,156	(10.0)
2010	48,553	0.8
2011	56,918	17.2
2012	67,303	18.2
2013	64,305	(4.5)
2014	71,617	11.4
2015	71,787	0.2

**Total Personal Income.** Total personal income estimates for the County are as follows<sup>8</sup>:

<u>Year</u>	<u>Personal Income (in 000's)</u>	<u>Average Annual Growth (%)</u>
2009	\$10,431,651	(7.6)
2010	10,827,712	3.8
2011	12,971,618	19.8
2012	15,679,729	20.9
2013	15,277,544	(2.6)
2014	17,393,521	13.9
2015	17,923,306	3.0

**Average Unemployment.** The annual average unemployment rates for the County and the State of Arkansas since 2011 are as follows<sup>9</sup>:

<u>Year</u>	<u>Benton County (%)</u>	<u>State (%)</u>
2011	6.5	8.3
2012	6.0	7.6
2013	5.7	7.3
2014	4.6	6.1
2015	3.8	5.1
2016	2.9	4.0

**Building Permits.** The City has issued the following number of building permits for new construction during each of the last five years<sup>10</sup>:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
2012	126	0	126
2013	232	3	235
2014	298	11	309
2015	280	4	284
2016	410	4	414

<sup>7</sup> Source: U.S. Bureau of Economic Analysis.

<sup>8</sup> Source: U.S. Bureau of Economic Analysis.

<sup>9</sup> Source: Arkansas Department of Workforce Services.

<sup>10</sup> Source: Issuer

## THE AUTHORIZING ORDINANCE

Set forth below is a summary of certain portions of the Authorizing Ordinance. This summary does not purport to be comprehensive and reference is made to the full text of the Authorizing Ordinance for a complete description of its provisions. **Unless the context clearly indicates otherwise, all references under this heading to the “Bonds” shall include the Series 2017 Bonds and any Additional Parity Bonds.** The City will covenant as set forth below in the Authorizing Ordinance.

The Bond Fund. (a) The Trustee shall deposit all Tax Receipts as and when received into a special fund of the City in the Trustee designated the “2017 Sales and Use Tax Bond Fund” (the “Bond Fund”), for the purpose of providing funds for the payment of principal of and interest on the Bonds as they become due at maturity or at redemption prior to maturity, the Trustee’s fees and expenses and other administrative charges, and any arbitrage rebate due under Section 148(f) of the Code. Moneys in the Bond Fund shall be used on each interest payment date (or in the case of a rebate payment under clause (6), on any date due) in the following order of priority as and when necessary:

- (1) to pay the interest on the Series 2017 Bonds then due; and
- (2) to pay the principal of the Series 2017 Bonds then due at maturity or upon mandatory sinking fund redemption; and
- (3) to transfer into the Debt Service Reserve Account (hereinafter identified) such amounts as necessary to increase the Debt Service Reserve Account to the required level (hereinafter defined), to the extent no surety bond is in place; and
- (5) to pay the Trustee’s fees and expenses and other administrative charges then due; and
- (6) to pay the amount that is payable as arbitrage rebate to the United States Treasury under Section 148(f) of the Code; and
- (7) to redeem the Series 2017 Bonds prior to maturity.

Notwithstanding the above, any arbitrage rebate shall be paid not later than the date due, whether or not such date is an interest payment date.

(a) Moneys in the Bond Fund available for mandatory sinking fund redemption or extraordinary redemption of Series 2017 Bonds may also be used by the Trustee, at the direction of the City, to purchase, not less than 40 days prior to an interest payment date, Series 2017 Bonds having a maturity that are subject to redemption on the next redemption date at a price not in excess of par plus accrued interest, inclusive of brokerage fees. If the Series 2017 Bonds have been acquired to meet the mandatory sinking fund requirements for the Series 2017 Bonds, the City shall receive a credit for the Series 2017 Bonds so acquired, in an amount equal to the principal amount thereof, for and of the next mandatory sinking fund redemption date of Series 2017 Bonds of the same maturity. If the Series 2017 Bonds have been acquired pursuant to clause (7) above, the City shall receive a credit under the Authorizing Ordinance in an amount equal to the principal amount so acquired. All Series 2017 Bonds so purchased shall be canceled by the Trustee and not reissued.

(b) There shall be established and maintained in the Bond Fund a Special Redemption Account into which shall be deposited all funds in the Bond Fund available for the redemption of the Bonds pursuant to clause (7) of subsection (a) above and transfers from the Debt Service Reserve Account and the Construction Fund (hereinafter identified). Moneys in the Special Redemption Account shall be used to redeem the Bonds prior to maturity.

(d) When the moneys in the Bond Fund, including the Debt Service Reserve Account and the Special Redemption Account, shall be and remain sufficient to pay (1) the principal of all the Bonds then outstanding, (2) interest on the Bonds until the next interest payment date, (3) the Trustee's fees and expenses and other administrative charges, and (5) all arbitrage rebate payments due the United States under Section 148(f) of the Code, there shall be no obligation to make any further payments into the Bond Fund and any Pledged Revenues remaining in the Bond Fund after the principal of, premium, if any and interest on the Bonds have been paid may be used by the City for any lawful purpose.

(e) The Trustee is authorized and directed to withdraw moneys from the Bond Fund from time to time as necessary for paying principal of and interest on the Series 2017 Bonds when due at maturity or at redemption prior to maturity and for making other Bond Fund expenditures authorized hereby.

(f) The Series 2017 Bonds shall be specifically secured by a pledge of the Pledged Revenues, which pledge in favor of the Series 2017 Bonds is hereby irrevocably made according to the terms of the Authorizing Ordinance, and the City, and the officers and employees of the City, shall execute, perform and carry out the terms thereof in strict conformity with the provisions of the Authorizing Ordinance.

#### Investments.

(a) Moneys held for the credit of the 2017 Construction Fund may, at the option of the City, be invested and reinvested in Permitted Investments (hereinafter defined) or other investments permitted by State law which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when such money will be required for the purposes intended.

(b) Moneys held for the credit of the Debt Service Reserve Account in the Bond Fund shall be invested and reinvested in in Permitted Investments, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than five (5) years after the date of investment or the final maturity date of the outstanding Bonds, whichever is earlier. The Trustee shall so invest and reinvest pursuant to the direction of the City and in the Trustee's discretion in the absence of any direct instructions from the City. The Trustee shall value all investments held for the credit of the Debt Service Reserve Account at least once per year.

(c) Moneys held for the credit of the Bond Fund shall be invested and reinvested in in Permitted Investments, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when such money will be required for the payment of the principal of and interest on the Bonds when due.

(d) Obligations so purchased as an investment of moneys in any fund shall be deemed at all times to be a part of such fund. Any earnings, profit or loss realized from such investments shall be credited or charged to such fund.

(e) "Permitted Investments" are defined as (i) direct or fully guaranteed obligations of the United States of America ("Government Securities"), (ii) direct obligations of an agency, instrumentality or government-sponsored enterprise created by an act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government, (iii) certificates of deposit of banks, including the Trustee, which are members of the Federal Deposit Insurance Corporation, or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by

State law to secure public funds or (iv) money market funds invested exclusively in Government Securities and obligations described in (ii) above.

Certain Covenants. The City covenants as follows:

(a) The City covenants that it shall not take any action or suffer or permit any action to be taken or condition to exist which causes or may cause the interest payable on the Bonds to be included in gross income for federal income tax purposes. Without limiting the generality of the foregoing, the City covenants that the proceeds of the sale of the Bonds and the Pledged Revenues will not be used directly or indirectly in such manner as to cause the Bonds to be treated as “arbitrage bonds” within the meaning of Section 148 of the Code.

(b) The City represents that it has not used or permitted the use of, and covenants that it will not use or permit the use of the 2017 Improvements or the proceeds of the Series 2017 Bonds, in such manner as to cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code. In this regard, the City covenants that (i) it will not use (directly or indirectly) the proceeds of the Series 2017 Bonds to make or finance loans to any person, and (ii) that while the Series 2017 Bonds are outstanding the 2017 Improvements will only be used by state or local governmental entities or persons on a basis as members of the general public unless the City receives an opinion from bond counsel to the effect that the proposed use will not adversely affect the tax-exempt status of interest on the Series 2017 Bonds for federal income tax purposes.

(c) The City shall pay any arbitrage rebate due the United States Treasury under Section 148 of the Code from moneys in the Bond Fund and/or the Construction Fund. The costs of calculating the arbitrage rebate due and the arbitrage rebate amount shall be considered administrative costs payable from moneys in the Bond Fund.

(d) The City covenants that it will not reimburse itself from bond proceeds for any costs paid prior to the date the Series 2017 Bonds are issued except in compliance with United States Treasury Regulation No. 1.150-2 (the “Regulation”). Resolution No. [REDACTED], adopted September 12, 2017, shall be considered an “official intent” for purposes of the Regulation.

(e) The City will retain all documents and records pertaining to the Series 2017 Bonds and the 2017 Improvements for the life of the Series 2017 Bonds plus an additional three years.

(f) The Series 2017A Bonds are hereby designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986. The City does not reasonably expect to issue more than \$10,000,000 in tax-exempt obligations during calendar year 2017.

Defaults and Remedies.

(a) If there be any default in the payment of the principal of and interest on any of the Bonds, or if the City defaults in the performance of any covenant contained in the Authorizing Ordinance, the Trustee may, and shall, upon the written request the owners of not less than 10% in principal amount of the Bonds then outstanding, by proper suit compel the performance of the duties of the officials of the City under the Constitution and laws of the State and under the Authorizing Ordinance, and to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State. Under Arkansas law, the City is authorized to file a bankruptcy petition under Title 9 of the United States Code.

(b) No owner of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or in law for the protection or enforcement of any right under the Authorizing

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

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

(d) No remedy herein conferred upon or reserved to the Trustee or to the owners of the Bonds is intended to be exclusive of any other remedy or remedies herein provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or given by any law or by the Constitution of the State.

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

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

Defeasance. Any Series 2017 Bond shall be deemed to be paid within the meaning of the Authorizing Ordinance when (a) there shall have been deposited with the Trustee in the Bond Fund an amount sufficient to pay the principal of and interest on such Series 2017 Bond (whether at maturity or upon redemption as provided herein, or otherwise) or (b) there shall have been irrevocably deposited with the Trustee, in trust and irrevocably set aside exclusively for the payment of the principal of and interest on such Series 2017 Bond (whether at maturity or upon redemption as provided herein, or otherwise), non-callable Government Securities, as defined in Section 15 hereof, which are direct obligations of the United States of America (provided that such deposit will not cause any of the Series 2017 Bonds to be classified as “arbitrage bonds” within the meaning of the Code), maturing as to principal and interest in such amounts and at such times which, together with any moneys on deposit with the Trustee, will

provide sufficient moneys to make such payment when due, and all necessary and proper fees, compensation and expenses of the Trustee with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

On the payment of any Series 2017 Bonds within the meaning of the Authorizing Ordinance, the Trustee shall hold in trust, for the benefit of the owners of such Series 2017 Bonds, all such moneys and/or Government Securities.

When all the Series 2017 Bonds shall have been paid within the meaning of the Authorizing Ordinance, if the Trustee has been paid its fees and expenses, and if payment of any arbitrage rebate under Section 148(f) of the Code is made or provided for to the satisfaction of the Trustee, the Trustee shall take all appropriate action to cause (a) the pledge and lien of the Authorizing Ordinance to be discharged and cancelled, and (b) all moneys held by it pursuant to the Authorizing Ordinance and which are not required for the payment of such Series 2017 Bonds to be paid over or delivered to or at the direction of the City.

The Trustee. The Trustee shall be responsible for the exercise of good faith and reasonable prudence in the execution of its trusts and duties. The recitals in the Authorizing Ordinance and in the Series 2017 Bonds are the recitals of the City and not of the Trustee. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the owners of not less than 10% in principal amount of Series 2017 Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by giving 60 days' notice in writing to the City Clerk and to the owners of the Series 2017 Bonds, and the majority in principal amount of the owners of the outstanding Series 2017 Bonds at any time, with or without cause, may remove the Trustee, either by resignation or by removal. In the event of a vacancy in the office of Trustee, the majority in principal amount of the owners of the outstanding Bonds may appoint a new Trustee, such appointment to be evidenced by a written instrument or instruments filed with the City Clerk. If the majority in principal amount of the owners of the outstanding Series 2017 Bonds shall fail to fill a vacancy within 30 days after the same shall occur, then the City shall forthwith designate a new Trustee by a written instrument filed with the City Clerk. The new Trustee shall be a bank or a trust company duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000. The Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts imposed upon it by the Authorizing Ordinance, but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective owners of the Series 2017 Bonds agree. Such written acceptance shall be filed with the City Clerk, and a copy thereof shall be placed in the Series 2017 Bond transcript. Any successor Trustee shall have all the powers herein granted to the original Trustee. The Trustee's resignation or removal shall take effect upon the acceptance of the trusts by the successor Trustee.

Amendment of Authorizing Ordinance.

(a) The terms of the Authorizing Ordinance shall constitute a contract between the City, and the owners of the Series 2017 Bonds, and no variation or change in the undertaking herein set forth shall be made while any of the Series 2017 Bonds are outstanding, except as hereinafter set forth in subsections (b) and (c).

(b) The Trustee may consent to any variation or change in the Authorizing Ordinance that the Trustee determines is not to the material prejudice of the owners of the Bonds or in order to cure any ambiguity, formal defect or omission in the Authorizing Ordinance or any amendment hereto with the consent the owners of the Bonds.

(c) The owners of not less than 75% in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in the Authorizing Ordinance to the contrary notwithstanding, to consent to and approve the adoption by the City of such ordinance supplemental hereto as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Authorizing Ordinance or in any supplemental ordinance; provided, however, that nothing contained in this Section shall permit or be construed as permitting (1) an extension of the maturity of the principal of or the interest on any Bond, or (2) a reduction in the principal amount of any Bond or the rate of interest thereon, or (3) the creation of a pledge of the Pledged Revenues superior to the pledge created by the Authorizing Ordinance, or (4) a privilege or priority of any Bonds over any other Bond or Bonds, or (5) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

### **CONTINUING DISCLOSURE AGREEMENT**

The City will enter into a Continuing Disclosure Agreement with the Trustee, as Dissemination Agent, in the form attached hereto as Exhibit C. Reference is made to Exhibit C regarding the undertakings made by the City to provide certain updated financial information and operating data annually, and the timely notice of specified material events as described in Securities and Exchange Commission Rule 15c2-12 (the "Rule"). Currently, such information will be made available by the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Markets Access ("EMMA") system, where said information will be available to the general public, without charge, at [www.emma.msrb.org](http://www.emma.msrb.org). Annual reports as specified in the Continuing Disclosure Agreement will first be filed for information relating to the City's fiscal year ending December 31, 2017. As of the date hereof, most recent fiscal year for which the City's audit is available is for the year ended December 31, 2015. The auditor of the Issuer's financial statements is currently the Legislative Joint Auditing Committee of the Division of Legislative Audit for the State of Arkansas. The authority and duties of the Division of Legislative Audit are set forth in Arkansas Code Annotated §§ 10-4-401, *et seq.*

As part of its undertakings, the City has agreed to provide to the MSRB the following: (i) within 180 days of the City's fiscal year end, information regarding the collections of the Tax received by the City, historical receipts of the Tax, and the estimated maximum annual debt service coverage with respect to the Bonds and (ii) audited financial statements of the City, when available. The audited financial statements will be prepared either by the Legislative Joint Auditing Committee of the Arkansas Division of Legislative Audit (the "Legislative Joint Auditing Committee") or by a certified public accountant and will be conducted in accordance with either Arkansas law or generally accepted auditing standards and government auditing standards issued by the Controller General of the United States. Due to the large number of audits conducted by the Legislative Joint Auditing Committee, the City has little control over when the audit will be performed or delivered to the City for review and approval. The City has agreed, under the terms of the Continuing Disclosure Agreement, to provide its annual report, including its audited financial statements, by December 30 of the year following the end of the City's fiscal year. If the audited financial statements are not available prior to the annual report date, the City shall provide unaudited financial statements by the annual report date and the audited financial statements when and if available. The City intends to incorporate by reference any audited financial statements of the City made public by the Legislative Joint Auditing Committee on its website at [www.legaudit.state.ar.us](http://www.legaudit.state.ar.us). In addition, the City has agreed to provide other financial information and operating data required by the Rule on an annual basis.

In connection with the City's previous bond issues, the City entered into individual continuing disclosure undertakings ("Undertakings") in written agreements specified in paragraph (b)(5)(i) of the Rule. Generally, these Undertakings relate to the City's Sales and Use Tax Refunding and Improvement Bonds, Series 2015 (the "Series 2015 Bonds"), the City's Water and Sewer Revenue Bonds, Series 2014 (the

“Series 2014 Bonds”), the City’s Water and Sewer Refunding Revenue Bonds, Series 2012 (the “Series 2012 Bonds”), and the City’s Sales and Use Tax Refunding and Improvement Bonds, Series 2010 (the “Series 2010 Bonds”), and the City’s Sales and Use Tax Improvement Bonds, Series 2007 (the “Series 2007 Bonds”).

As part of its Undertakings for the Series 2015 Bonds, the City agreed to provide its annual audited financial statements within 30 days of receipt thereof by the City, and such audited financial statements may not have been provided timely for the years ended December 31, 2014 and December 31, 2015.

As part of its Undertakings for the Series 2007 Bonds and the Series 2010 Bonds, which were refunded in their entirety by the Series 2015 Bonds, the City agreed to provide its annual audited financial statements within 180 days of the end of the City’s fiscal year, and such audited financial statements were not made available through EMMA but were instead posted on Bloomberg. The City’s audited financial statements for the year ended December 31, 2012 have since been posted on EMMA for the Series 2015 Bonds.

The City filed a material event notice late on EMMA for the Series 2015 Bonds with respect to a January 2017 rating upgrade.

Pursuant to the original Undertaking for the Series 2012 Bonds, only limited disclosure was required, and some filings may have been late or missing. In 2014, the Undertaking for the Series 2012 Bonds was amended and restated in its entirety, and the City has since been in compliance.

#### **VERIFICATION OF ESCROW SUFFICIENCY AND YIELDS**

Thomas & Thomas LLP certified public accountants, upon delivery of the Series 2017 Bonds, will deliver to the City its verification report indicating that it has performed certain procedures to verify, in accordance with standards established by the American Institute of Certified Public Accountants, the arithmetical accuracy of the information provided by the Underwriter relating to (a) the sufficiency of the anticipated receipts from the Escrowed Securities, together with the initial cash deposit, if any, to pay, when due, the principal and interest on the Series 201 5 Bonds, and (b) the “Yield” on the Escrowed Securities and on the Series 2017A Bonds. The report will be relied upon by Co-Bond Counsel in rendering their opinions with respect to excludability from federal income taxation of interest on the Series 2017A Bonds and with respect to the defeasance of the Series 2015 Bonds.

#### **LEGAL MATTERS**

Legal Proceedings. There is no litigation pending seeking to restrain or enjoin the Tax or the issuance or delivery of the Series 2017 Bonds, or questioning or affecting the legality of the Tax or Series 2017 Bonds or the proceedings and authority under which the Series 2017 Bonds are to be issued, or questioning the right of the City to enter into the Authorizing Ordinance or to issue the Series 2017 Bonds or the pledge of the Tax by the City.

Legal Opinions. Legal matters incident to the authorization and issuance of the Series 2017 Bonds are subject to the unqualified approving opinion of Rose Law Firm, Little Rock, Arkansas, and Williams & Anderson, PLC, Little Rock Arkansas, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., Little Rock, Arkansas.

Tax Exemptions. In the opinion of Co-Bond Counsel, under existing law the interest on the Series 2017 Bonds is exempt from all Arkansas state, county and municipal tax. Also, in the opinion of Co-Bond Counsel, interest on the Series 2017A Bonds under existing law is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to



corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2017A 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, the use of the proceeds of the Series 2017A Bonds and the Improvements. Failure to comply with certain of such requirements could cause the interest on the Series 2017A Bonds to be so included in gross income retroactive to the date of issuance of the Series 2017A Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

Prospective purchasers of the Series 2017 Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2017 Bonds, (ii) interest on the Series 2017 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income including interest on the Series 2017 Bonds, maybe subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Series 2017 Bonds.

Prospective purchasers of the Series 2017 Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2017 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2017 Bonds.

Current or future legislative proposals, if enacted into law, may cause interest on the Series 2017 Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Series 2017 Bonds from realizing the full current benefit of the tax status of such interest. Recent legislative proposals include provisions that would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers for taxable years after 2012. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Series 2017 Bonds. Prospective purchasers of the Series 2017 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Series 2017 Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

**Bank Qualification; Qualified Tax-Exempt Obligations.** Prospective purchasers of the Series 2017A Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2017A Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2017A Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code). An exception allows a deduction of 80% of interest expense allocable to "qualified tax-exempt obligations." Under the Code, the term includes any obligation that (1) is not a "private activity bond" within the meaning of the Code (excluding from that term "qualified 501(c)(3) bonds"), (2) is issued by an issuer (and subordinate entities) that reasonably anticipates to issue not more than \$10,000,000 of tax-

exempt obligations other than private activity bonds (excluding from that term “qualified 501(c)(3) bonds” under Section 145 of the Code) during the calendar year, and (3) is so designated by the City.

The City has designated the Series 2017A Bonds as “qualified tax-exempt obligations” and has represented that the City and its subordinate entities have not and will not issue more than \$10,000,000 of such tax-exempt obligations during calendar year 2017, other than private activity bonds that are not “qualified 501(c)(3) bonds”. The City has covenanted not to use the Improvements in a manner that would cause the Series 2017 Bonds to be “private activity bonds.”

Original Issue Discount Bonds. The Series 2017A Bonds maturing on November 1 of each of [REDACTED], [REDACTED], and [REDACTED], and the Series 2017B Bonds maturing on November 1 of each of [REDACTED], [REDACTED], and [REDACTED], are being sold at an original issue discount (collectively, the “Discount Bonds”). The difference between the initial public offering prices, as set forth on the cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest that is excluded from gross income for federal income tax purposes, as described above.

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

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

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

Premium Bonds. The Series 2017A Bonds maturing on November 1 of each of [REDACTED], [REDACTED], and [REDACTED], and the Series 2017B Bonds maturing on November 1 of each of [REDACTED], [REDACTED], and [REDACTED], are being sold at an original issue premium (collectively, the “Premium Bonds”). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of a Premium Bond callable prior to its maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal

income tax deduction is allowed. Purchasers of a Premium Bond should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

### **BONDHOLDERS' RISKS**

General. The Series 2017 Bonds together with interest thereon are obligations solely of the City and are to be paid from a pledge of receipts of the Tax. The Series 2017 Bonds do not, directly or indirectly, obligate the State, Benton County, or any aspect or instrumentality of the State to levy any form of taxation therefor or to make any appropriations for their payment, and the Series 2017 Bonds do not and shall never constitute a charge against the general credit or taxing powers of Benton County or the State of Arkansas.

Tax Receipts will be contingent upon the sale and use of property and services within the City, which activity is generally dependent upon economic conditions within the City and surrounding trade area. Also, Tax Receipts may be affected by changes to transactions exempted from the Tax made by legislation adopted by the General Assembly of the State or by the people of the State in the form of a constitutional amendment. In the past the General Assembly of the State has considered new exemptions to the sales tax, such as food sales, which, if adopted, would materially reduce Tax Receipts. The City has no control over actions of the General Assembly or the people of the State and cannot predict whether changes to the Tax may be made. Accordingly, the City cannot predict with certainty the expected amount of Tax Receipts to be received and, therefore, there can be no assurance that Tax Receipts will be sufficient to pay the principal of and interest on the Series 2017 Bonds.

No guarantee can be given that Tax Receipts will be realized by the City in amounts sufficient to make payments under the Authorizing Ordinance, or to make other payments in amounts sufficient to pay principal of, premium, if any, and interest on the Series 2017 Bonds. Purchasers of the Series 2017 Bonds should bear in mind that the occurrence of any number of events, some of which are specified under **SECURITY FOR THE SERIES 2017 BONDS**, could adversely affect the ability of the City to produce its required level of revenues. Future economic and other conditions, economic developments in the service area and governmental regulation, may adversely affect Tax Receipts and consequently, the City's ability to make payments under the Authorizing Ordinance. The future financial condition of the City could also be adversely affected by, among other things, legislation, regulatory actions, increased competition from other water providers due to condemnation, demand for water, demographic changes, changes in the local economy, claims and other litigation and a number of other conditions that are unpredictable, including the following risk factors. This discussion of risk factors is not, and is not intended to be, exhaustive.

The remedies available to the Trustee or the owners of the Series 2017 Bonds upon an event of default under the Authorizing Ordinance are in many respects dependent upon judicial actions that are often subject to discretion and delay. Upon existing constitutional and statutory law and judicial decisions, including specifically Title 9 of the United States Code (the federal bankruptcy code), the remedies provided in the Authorizing Ordinance may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2017 Bonds and the delivery of the Authorizing Ordinance will be qualified with respect to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

If and when an owner of Bonds elects to sell a Bond prior to its maturity, there is no assurance that a market will have been established, maintained and in existence for the purchase and sale of the Series 2017 Bonds.

Enforceability of Remedies. Rights of the registered owners of the Series 2017 Bonds and the enforceability of the remedies available under the Authorizing Ordinance may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies maybe delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Authorizing Ordinance resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights that are presently or may from time to time be in effect.

### **MISCELLANEOUS**

Underwriting. Under a Bond Purchase Agreement (the "Agreement") entered into by and between the City and Raymond James & Associates, Inc., as authorized representative for the Underwriter, the Series 2017A Bonds are being purchased at a price of \$ [REDACTED] (principal amount less Underwriter's discount of \$ [REDACTED]) and the Series 2017B Bonds are being purchased at a price of \$ [REDACTED] (principal amount less Underwriter's discount of \$ [REDACTED]). The Agreement provides that the Underwriter will purchase all of the Series 2017 Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2017 Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the Series 2017 Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial or business condition of the City.

The Underwriter intends to offer the Series 2017 Bonds to the public initially at the offering prices set forth on the inside cover page of this Preliminary Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other Underwriter in offering the Series 2017 Bonds to the public. The Underwriter may offer and sell the Series 2017 Bonds to certain dealers (including dealers depositing Series 2017 Bonds into investment trusts) at prices lower than the public offering price.

The City has agreed to indemnify the Underwriter against certain civil liabilities in connection with the offering and sale of the Series 2017 Bonds, including certain liabilities under federal securities laws.

Rating. The Bonds have been rated "A" (stable outlook) by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of such rating may be obtained from S&P. Such rating reflects only the view of S&P and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised or withdrawn entirely by S&P, if in their judgment circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2017 Bonds. The Underwriter and the City have undertaken no responsibility after issuance of the Series 2017 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal. No application has been made to any rating agency other than S&P for a rating on the Series 2017 Bonds. Additionally, due to the ongoing uncertainty regarding the debt of the United States of America, including without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Series 2017 Bonds, could be subject to a rating downgrade. Furthermore, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political

subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, such as the Series 2017 Bonds. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2017 Bonds.

Information in Preliminary Official Statement. Any statements made in this Preliminary Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Preliminary Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2017 Bonds.

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

The execution and delivery of this Preliminary Official Statement on behalf of the City has been authorized by the City.

CITY OF CENTERTON, ARKANSAS

By  /s/ Bill Edwards  
Mayor

Dated: As of the Cover Page hereof.

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## **EXHIBIT A**

### **SUMMARY OF STATE SALES AND USE TAX PROVISIONS**

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

- (a) Tangible personal property;
- (b) Natural or artificial gas, electricity, water, ice, steam, or any other utility or public service except transportation services, sewer services and sanitation or garbage collection services;
- (c)
  - (i) Service by telephone, telecommunications and telegraph companies to subscribers or users, including transmission of messages or images, whether local or long distance, including all service, installation, construction and rental charges having any connection with transmission of any message or image;
  - (ii) Service of furnishing rooms, suites, condominiums, townhouses, rental houses or other accommodations by hotels, apartment hotels, lodging houses, tourist camps, tourist courts, property management companies, or any other provider of accommodations to transient guests;
  - (iii) Service of cable television, community antenna television, and any and all other distribution of television, video, or radio services with or without the use of wires provided to subscribers, paying customers or users, including installation, service, rental, repair and other charges having any connection with the providing of the said services;
  - (iv) Service of initial installation, alteration, addition, cleaning, refinishing, replacement and repair of motor vehicles, aircraft, farm machinery and implements, motors of all kinds, tires and batteries, boats, electrical appliances and devices, furniture, rugs, flooring, upholstery, household appliances, televisions and radios, jewelry, watches and clocks, engineering instruments, medical and surgical instruments, machinery of all kinds, bicycles, office machines and equipment, shoes, tin and sheet metal, mechanical tools and shop equipment; however, the tax does not apply to (A) coin operated car washes, (B) the maintenance or repair of railroad parts, railroad cars and equipment brought into the City solely and exclusively for the purpose of being repaired, refurbished, modified, or converted within the City, (C) the service of alteration, addition, cleaning, refinishing, replacement or repair of commercial jet aircraft or commercial jet aircraft components or subcomponents, (D) the repair or remanufacture of industrial metal rollers or platens that have a remanufactured non-metallic material covering on all or a part of the roller or platen surface, or (E) the initial installation, alteration, addition, cleaning, refinishing, replacement or repair of non-mechanical, passive or manually operated components of buildings or other improvements or structures affixed to real estate;
  - (v) Service of providing transportation or delivery of money, property or valuables by armored car; service of providing cleaning or janitorial work; service of pool cleaning and servicing; pager services; telephone answering services; landscaping and non-residential lawn care services; service of parking a motor vehicle or allowing a motor vehicle to be parked; service of storing a motor vehicle; service of storing furs; and the service of providing indoor tanning at a tanning salon;
- (d) Printing of all kinds, types and characters, including the service of overprinting, and photography of all kinds;

(e) Tickets or admissions to places of amusement, to athletic, entertainment, recreational events, or fees for the privilege of having access to or the use of amusement, entertainment, athletic or recreational facilities, including free or complimentary passes and tickets, admissions, dues or fees;

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

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

(h) Retail sale of any device used in playing bingo and any charge for admittance to facilities or for the right to play bingo or other games of chance;

(i)

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

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

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

(m) Wrecker and towing services;

(n) Collection and disposal of solid wastes;

(o) Cleaning of parking lots and gutters;

(p) Dry cleaning and laundry services;

(q) Industrial laundry services;

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

(s) Pest control services;

(t) Security and alarm monitoring services;

(u) Boat storage and docking fees;

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

(w) Locksmith services;

(x) Pet grooming and kennel services; and

(y) Portable toilet lease or rental and services associated with the lease or rental of portable toilets.



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

(a) New or used house trailers, mobile homes, aircraft, motor vehicles, trailers or semitrailers and a used house trailer, mobile home, aircraft, motor vehicle, trailer or semi-trailer is taken as a credit or part payment of the purchase price, when the total consideration is less than the following: \$2,000 for aircraft, house trailers and mobile homes (or \$10,000 in case the house trailer or mobile home is a “manufactured home”); and \$4,000 for motor vehicles, trailers and semi-trailers;

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

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

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

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

(f) Newspapers;

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

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

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

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

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

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

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

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

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

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

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

(r) Unprocessed crude oil;

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

(t) Property consisting of machinery and equipment required by State or federal law or regulations to be installed and utilized by manufacturing or processing plants or facilities, cities or towns in this State to prevent or reduce air and/or water pollution or contamination;

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

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

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

- (x) Prescription drugs by licensed pharmacists, hospitals, or physicians, and oxygen sold for human use on prescription of a licensed physician;
- (y) Property or services to humane societies;
- (z) Vessels, barges and towboats of at least fifty tons load displacement and parts and labor used in the repair and construction of the same;
- (aa) Property or sales to all orphans' homes, or children's homes, which are not operated for profit and whether operated by a church, religious organization or other benevolent charitable association;
- (bb) Agricultural fertilizer, agricultural limestone, agricultural chemicals, and water purchased from a public surface-water delivery project to reduce or replace water used for in-ground irrigation or reduce dependence on ground water for agriculture.
- (cc) Sale of tickets or admissions, by municipalities and counties, to places of amusement, to athletic entertainment, recreational events, or fees for the privilege of having access to or the use of amusement, entertainment, athletic or recreational facilities, including free or complimentary passes, tickets, admissions, dues or fees;
- (dd) New and used farm machinery and equipment;
- (ee) New automobiles to a veteran of the United States Armed Services who is blind as a result of a service connected injury;
- (ff) Motor vehicles sold to municipalities, counties, school districts, and state supported colleges and universities;
- (gg) School buses sold to school districts and, in certain cases, to other purchasers providing school bus service to school districts;
- (hh) Catalysts, chemicals, reagents, and solutions which are consumed or used by manufacturing or processing plants or facilities in the State in producing, manufacturing, fabricating, processing, or finishing articles of commerce or to prevent or reduce air or water pollution or contamination;
- (ii) Feedstuffs used in the commercial production of livestock or poultry;
- (jj) New custom manufactured homes constructed from materials on which the State sales tax has been paid;
- (kk) The first 500 kilowatt hours of electricity per month and the total franchise tax billed to each residential customer whose household income is less than \$12,000 per year;
- (ll) Electricity and natural gas to qualified steel manufacturers;
- (mm) Tangible personal property lawfully purchased with food stamps, food coupons, food instruments or vouchers in connection with certain Federal programs;
- (nn) Publications sold through regular subscriptions;

(oo) Tickets for admission to athletic events and interscholastic activities of public and private elementary and secondary schools in the State and tickets for admission to athletic events at public and private colleges and universities in the State;

(pp) Prescriptive adaptive medical equipment and prescriptive disposable medical equipment;

(qq) Insulin and test strips for testing blood sugar levels in humans;

(rr) Telephone instruments sent into the State for refurbishing or repair and then shipped back to the state of origin;

(ss) Industrial metal rollers sent into the State for repair or remanufacture and then shipped back to the state of origin;

(tt) New motor vehicles purchased by non-profit organizations and used for the performance of contracts with the Department of Human Services, and new motor vehicles purchased with Federal Transit Administration funds if (i) vehicles meet minimum State specifications and (ii) vehicles are used for transportation under the Department of Human Services' programs for the aging, disabled, mentally ill, and children and family services;

(uu) Motor fuels to owners or operators of motor buses operated on designated streets according to regular schedule and under municipal franchise which are used for municipal transportation purposes;

(vv) Parts or other tangible personal property incorporated into or which become a part of commercial jet aircraft component or subcomponents;

(ww) Transfer of fill material by a business engaged in transporting or delivering fill material;

(xx) Long-term leases, thirty days or more, of commercial trucks used for interstate transportation of goods under certain conditions;

(yy) Foodstuffs to nonprofit agencies;

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

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

(bbb) Sales to Fort Smith Clearinghouse;

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

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

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

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

(ggg) Gas produced from biomass and sold for the purpose of generating steam, hot air or electricity to be sold to the gas producer;

(hhh) Fuel packaging materials sold to a person engaged in the business of processing hazardous and non-hazardous waste materials into fuel products at an approved site and machinery and equipment, including analytical equipment and chemicals used directly in the processing and packaging of hazardous and non-hazardous waste materials into fuel products at an approved site;

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

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

(kkk) Tangible personal property, specified digital products, a digital code, or services to the Arkansas Symphony Orchestra, Inc.;

(III) Electricity used for the production of chlorine and other chemicals using a chlor-alkali manufacturing process;

(mmm) Tangible personal property, specified digital products, a digital code, or services to a qualified museum;

(nnn) Livestock reproduction equipment or substances;

(ooo) Natural gas and electricity used in the manufacturing of tires in the State;

(ppp) Thermal imaging equipment purchased by a county government for use by law enforcement aircraft;

(qqq) Tangible property or services to the Arkansas Scent Dog Association, Inc.;

(rrr) Certain new or used trucks to be engaged in interstate commerce;

(sss) Tangible personal property, specified digital products, a digital code, or services to the Arkansas Black Hall of Fame Foundation;

(ttt) Sale, lease or rental of kegs used to sell beer wholesale by a wholesale manufacturer of beer;

(uuu) Repair parts and labor for pollution control machinery and equipment;

(vvv) Sales by commercial farmers of certain baling twine, net wrap, silage wrap, and similar products;

(www) Sales of tangible personal property, specified digital products, a digital code, or a service to a nonprofit blood donation organization;

(xxx) Sales of utilities used by qualifying agriculture and horticultural equipment;

(yyy) Sales of utilities used by a grain drying and storage facility;

(zzz) Dental appliances sold by or to dentists or certain other professionals; and

(aaaa) Machinery, new and used equipment, and related attachments that are sold to or used by a person engaged primarily in the harvesting of timber.

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

Use Tax. The use tax portion of the Tax is levied on every person for the privilege of storing, using, distributing or consuming in the City any article of tangible personal property purchased for storage, use, distribution or consumption. The use tax applies to the use, distribution, storage or consumption of every article of tangible personal property except as hereinafter provided. The use tax does not apply to aircraft equipment, and railroad parts, cars, and equipment, nor to tangible personal property owned or leased by aircraft, automotive or railroad companies brought into the City solely and exclusively for refurbishing, conversion, or modification within the City or storage for use outside or inside the City regardless of the length of time any such property is so stored in the City. The use tax is levied on the following described tangible personal property:

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

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

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

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

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

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

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

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

(i) Computer software; and

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

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

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

(b) Sales of tangible personal property, specified digital products, a digital code, or services on which the tax under the Arkansas Gross Receipts Act of 1941 is levied;

(c) Tangible personal property, specified digital products, a digital code, or services which is exempted from the sales tax under the Arkansas Gross Receipts Act of 1941;

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

(e) Unprocessed crude oil;

(f) Machinery and equipment used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at manufacturing or processing plants or facilities in the State, including facilities and plants for manufacturing feed, processing of poultry and/or eggs and livestock and the hatching of poultry and such equipment is either (1) purchased to create or expand manufacturing or processing plants in the State, (2) purchased to replace existing machinery and used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at manufacturing or processing plants in the State, or (3) required by State law to be installed and utilized by manufacturing or processing plants to prevent or reduce air and/or water pollution or contamination;

(g) Custom manufactured homes constructed with materials on which the sales or use tax has once been paid;

(h) Aircraft, aircraft equipment, railroad parts, cars, and equipment, and tangible personal property owned or leased by aircraft, airmotive, or railroad companies, brought into the State solely and exclusively for refurbishing, conversion, or modification or for storage for use outside or inside the State;

(i) Vessels, barges, and towboats of at least 50 tons load displacement and parts and labor used in the repair and construction of them;

(j) Motor fuels to the owners or operators of motor buses operated on designated streets according to regular schedule, under municipal franchise, which are used for municipal transportation purposes;

(k) Agricultural fertilizer, agricultural limestone, agricultural chemicals, including agricultural pesticides and herbicides used in commercial production of agricultural products, and vaccines, medications, and medicinal preparations, used in treating livestock and poultry being grown for commercial purposes and other ingredients used in the commercial production of yeast;

(l) All new and used motor vehicles, trailers or semi-trailers that are purchased for a total consideration of less than \$4,000;

(m) Any tangible personal property used, consumed, distributed, or stored in this State upon which a like tax, equal to or greater than the Arkansas Compensating (Use) Tax, has been paid in another state;

(n) Prescriptive adaptive medical equipment and prescriptive disposable medical equipment;

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

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

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

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

(s) Sales to Fort Smith Clearinghouse;

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

(u) Foodstuffs to nonprofit agencies;

(v) Tangible personal property, specified digital products, a digital code or services for a qualified museum;

(w) Certain new or used trucks to be engaged in interstate;

(x) Railroad rolling stock manufactured for use in transporting persons or property in interstate commerce;

(y) Sales of tangible personal property or a service to a nonprofit blood donation organization;

(z) Sales of utilities used by qualifying agriculture and horticultural equipment;

(aa) Sales of utilities used by grain drying and storage facilities; and



(bb) Dental appliances sold by or to dentists or certain other professionals.

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

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**EXHIBIT B**

**FORM OF CO-BOND COUNSEL OPINION**

Rose Law Firm, a Professional Association and Williams & Anderson PLC

[To Be Dated as of the Date of Delivery and Placed on Each Firm's Letterhead]

\_\_\_\_\_, 2017

City of Centerton, Arkansas  
Centerton, Arkansas

Bank of the Ozarks  
Little Rock, Arkansas, as Trustee

Raymond James & Associates, Inc.  
Little Rock, Arkansas

Re: \$10,000,000 City of Centerton, Arkansas Sales and Use Tax Refunding and Improvement Bonds, Series 2017A and \$\_\_\_\_\_, 000 City of Centerton, Arkansas Sales and Use Tax Refunding Bonds, Taxable Series 2017B

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the City of Centerton, Arkansas (the "City") of its \$10,000,000 City of Centerton, Arkansas Sales and Use Tax Refunding and Improvement Bonds, Series 2017A (the Series 2017A Bonds) and \$\_\_\_\_\_, 000 City of Centerton, Arkansas Sales and Use Tax Refunding Bonds, Taxable Series 2017B (the "Series 2017B Bonds"), dated \_\_\_\_\_, 2017 (collectively, the "Bonds"). The Bonds are being issued to finance certain capital improvements, pay necessary expenses incidental thereto, and pay expenses of authorizing and issuing the Bonds. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion, including particularly a certified copy of Ordinance No. 2017-\_\_ of the City adopted on \_\_\_\_\_, 2017, authorizing the issuance of the Bonds (the "Authorizing Ordinance") and Ordinance No. 2017-37 of the City adopted on July 11, 2017 (the "Tax Ordinance").

As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Bonds have been lawfully authorized and issued under the Constitution and laws of the State of Arkansas now in force, including particularly Amendment No. 62 to the Constitution of the State of Arkansas and Title 14, Chapter 164, Subchapter 3 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), and are valid and binding obligations of the City enforceable in accordance with their terms.

2. The Bonds are secured by a pledge of the collections of the 1% sales and use tax duly levied by the City under the Authorizing Legislation and the Tax Ordinance. The Bonds are not secured by any lien on or security interest in any physical properties of the City.

3. The interest on the Series 2017A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted in the Authorizing Ordinance to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

4. Under present law, interest on the Series 2017B Bonds (including original issue discount) is includible in gross income of the owners thereof for federal income tax purposes.

5. The Bonds and income thereon are exempt from all Arkansas state, county and municipal taxes.

6. The Series 2017A Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code, and in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80 percent of that portion of such financial institutions’ interest expense allocable to interest on the Series 2017A Bonds.

It is to be understood that the rights of the registered owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Sincerely yours,

## EXHIBIT C

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “**Disclosure Agreement**”) is executed and delivered by the CITY OF CENTERTON, ARKANSAS (the “**Issuer**”) and BANK OF THE OZARKS, Little Rock, Arkansas (in such capacity, the “**Dissemination Agent**”) in connection with the issuance of the Issuer’s Sales and Use Tax Refunding and Improvement Bonds, Tax-Exempt Series 2017A and the Issuer’s Sale and Use Tax Refunding and Improvement Bonds, Taxable Series 2017B (the “**Bonds**”). The Bonds are being issued pursuant to Ordinance No. 2017-\_\_\_ of the Issuer, adopted September 28, 2017 (the “**Authorizing Ordinance**”). The Issuer and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5). Notwithstanding any other provision of this Agreement, it is the intent of the Participating Underwriter and the Issuer that the Rule (as defined below) controls the obligations of the parties with respect to the matters addressed herein. In the event of any conflict between the Rule and this Disclosure Agreement, this Disclosure Agreement shall be interpreted and/or modified in writing, as appropriate, so that it complies with and is consistent with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Authorizing Ordinance, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“**Audit**” shall have the meaning provided in Arkansas Code Annotated Section 10-4-402(a)(1), as the same may be amended from time to time.

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

“**Bond Tax**” shall mean the Issuer’s 1.0% sales and use tax dedicated to bonded indebtedness that has been in effect since approved by the voters at a special election held September 12, 2017, which replaces the Issuer’s 1.0% sales and use tax approved by the voters of the City at a special election held December 13, 2005.

“**Dissemination Agent**” shall mean Bank of the Ozarks, Little Rock, Arkansas, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

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

“**Financial Audit**” shall have the meaning provided in Arkansas Code Annotated Section 10-4-402(a)(3), as the same may be amended from time to time.

(a) On the effective date of this Agreement, the auditor of the Issuer's financial statements is the Legislative Joint Auditing Committee of the Division of Legislative Audit for the State of Arkansas ("**Legislative Audit**"). The authority and duties of the Legislative Audit are set forth in Arkansas Code Annotated §§ 10-4-401 *et seq.* So long as Legislative Audit is acting as auditor for the Issuer, the "Financial Audit" shall mean an "Audit" as defined by Arkansas Code Annotated § 10-4-402(a)(1), as the same may be amended from time to time, or a "Financial Audit" as defined by Arkansas Code Annotated § 10-4-402(a)(3), as the same may be amended from time to time.

(b) If the Issuer's auditor is changed to be a firm of independent certified public accountants or such other auditor as shall be required or permitted by the State of Arkansas, then "Financial Audit" means the annual financial statements of the Issuer prepared in accordance with GAAP for governmental units as prescribed by GASB or prepared in accordance with other commercially reasonable standards prescribed by state law or typically used for similarly situated issuers.

"**Listed Events**" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"**MSRB**" shall mean the Municipal Securities Rulemaking Board.

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

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

**SECTION 3. Provision of Annual Reports.** (a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Issuer's fiscal year (presently December 31), commencing with the 2017 fiscal year, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the Audit or Financial Audit of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but shall be submitted within 30 days of becoming available; provided further that publication of the Issuer's Financial Audit as set forth in Section 4(2) below shall be deemed to satisfy the Issuer's obligation to submit its Audit. If the fiscal year of the Issuer changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(b). On the effective date of this Agreement, the most recent fiscal year for which the Issuer's Audit or Financial Audit were available were for the year ended December 31, 2015. On the effective date of this Agreement, the auditor of the Issuer's financial statements is the Legislative Audit. The authority and duties of the Legislative Audit are set forth in Arkansas Code Annotated §§ 10-4-401, *et seq.*

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

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required for such part in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form as prescribed by the MSRB.

(d) The Dissemination Agent shall file a report with the Issuer and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

(e) As and to the extent an Annual Report or Notice of Listed Event is required to be filed under this Disclosure Agreement, the Issuer shall submit such Annual Report or Notice of Listed Event to the MSRB through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org>, or any other similar system that is acceptable to the Securities and Exchange Commission. All documents provided to the MSRB pursuant to this Disclosure Agreement shall be in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

1. The statistical information identified in Part I of the Annual Disclosure Statement attached hereto as Exhibit A, including but not limited to collections and receipts of the Bond Tax for the prior calendar year; provided, however, if the referenced statistical information is not readily available or ascertainable, and the Issuer determines that it is not material with respect to the collateral securing the Bonds, then such statistical information may be excluded from the Annual Report upon compliance with the procedures for amendment set forth in Section 8 hereof; and

2. The annual Financial Audit of the Issuer prepared in accordance with Government Auditing Standards issued by the Comptroller General of the United States and applicable state law. The Issuer does hereby incorporate by reference any audited financial statements of the Issuer made public by the Legislative Audit on its website at [www.legaudit.state.ar.us](http://www.legaudit.state.ar.us), and such publication of the Issuer's Audit or Financial Audit by the Legislative Audit shall be deemed compliance herewith.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's internet website or filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modification to rights of security holders, if material.
8. Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person.
13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) After the occurrence of a Listed Event (excluding an event described in subsection (a)[8] above), the Issuer shall promptly notify the Dissemination Agent (if other than the Issuer) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) After the occurrence of a Listed Event (excluding an event described in subsection (a)[8] above), whether by notice from the Dissemination Agent or otherwise, the Issuer shall file (or cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.msrb.emma.org> or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent). Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)8 above, the Dissemination Agent shall make the filing and notice thereof need not be given under this subsection any earlier than the notice for the underlying event is given to registered owners of affected Bonds pursuant to the terms of the Authorizing Ordinance.

**SECTION 6. Termination of Reporting Obligation.** The Issuer's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Bonds.

**SECTION 7. Dissemination Agent.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report



prepared by the Issuer pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement, and any provisions of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

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

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason of the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event 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 notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent, the Issuer or any Beneficial Owner may (and the Trustee, at the request of the Participating Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer, the Dissemination Agent or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under this Disclosure Agreement

in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties of Dissemination Agent and Right of Indemnity. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities that it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriter and the Beneficial Owners and shall create no rights in any other person or entity.

SECTION 13. 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.

Dated: November 1, 2017.

**CITY OF CENTERTON, ARKANSAS**

**BANK OF THE OZARKS,**  
Little Rock, Arkansas  
Dissemination Agent

By: \_\_\_\_\_  
Bill Edwards, Mayor

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Authorized Officer

**EXHIBIT A  
TO CONTINUING DISCLOSURE AGREEMENT  
FORM OF ANNUAL REPORT**

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**CITY OF CENTERTON, ARKANSAS**  
290 N. Main Street  
Centerton, Arkansas 72719  
Phone: (479) 765-2750

**20\_\_  
Annual Disclosure Statement**

regarding

\$ \_\_\_\_\_\*  
**CITY OF CENTERTON, ARKANSAS  
SALES AND USE TAX REFUNDING BONDS,  
TAX-EXEMPT SERIES 2017A**

**AND**

\$ \_\_\_\_\_\*  
**CITY OF CENTERTON, ARKANSAS  
SALES AND USE TAX REFUNDING BONDS,  
TAXABLE SERIES 2017B**

**DATED \_\_\_\_\_, 2017**

\_\_\_\_\_  
**For further information, contact:**

**Mayor  
City of Centerton, Arkansas  
Phone: (479) 795-2750**

Filing Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
\*Preliminary, subject to change

**ANNUAL REPORT  
TABLE OF CONTENTS**

<u>ITEM</u>	<u>PAGE</u>
<b>Part I</b>	
Tax Receipts	_____
<b>Part II</b>	
Debt Service Coverage	_____
<b>Part III</b>	
Audited Financial Statements for the Issuer for the Fiscal Year ended December 31, 20____	_____
<b>Part IV</b>	
Certificate of the Issuer	_____

**Part I. Tax Receipts**

Historical Tax Receipts. The City has collected a 1.0% sales and use tax dedicated to bonded indebtedness, which has been in effect since approved by the voters at a special election held September 12, 2017, which replaces the Issuer’s 1.0% sales and use tax approved by the voters of the City at a special election held December 13, 2005 that has been in effect since July 1, 2017 (the “Bond Tax”). Historical receipts of the Bond Tax received by the City for the 12-month periods ended December 31, 20\_\_\_\_ forward are as follows:

Calendar Year	Bond Tax Receipts
20____	\$ _____

**Part II. Debt Service Coverage.**

Based upon the Tax Receipts shown in Part I above, and assuming an average coupon rate of \_\_\_\_\_% for the Series 2017 Bonds, the estimated maximum annual debt service coverage with respect to the Series 2017 Bonds is as follows:

Tax Receipts <sup>(A)(1)</sup>	\$ _____
Maximum Annual Debt Service <sup>(B)(2)</sup>	\$ _____
Estimated Debt Service Coverage <sup>(A/B)</sup>	_____ X

<sup>(1)</sup> Tax receipts for the 12-month period ending December 31, 20\_\_\_\_.

<sup>(2)</sup> Includes the Series 2017 Bonds.

**Part III. Audited Financial Statements of the Issuer for the Year Ended December 31, 20\_\_\_\_.**

[Description of availability of Financial Statements]

**Part IV. Issuer’s Certificate.**

The undersigned, duly authorized to act on behalf of the City, hereby certifies that this Annual Report conforms to the requirements of the Agreement and that the matters set forth herein are true and correct, to the best of her knowledge and belief, as of the date set forth on the cover hereof.

**CITY OF CENTERTON, ARKANSAS**

By: \_\_\_\_\_  
Mayor

Distribution:  
Municipal Securities Rulemaking Board  
Raymond James, Underwriter  
Bank of the Ozarks, Dissemination Agent

