

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 9, 2018

NEW ISSUE
BOOK-ENTRY ONLY

RATINGS
S&P: "AA"
Moody's: "Aa1"

In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Series 2018 Bonds is excludable from gross income for federal income tax purposes, subject to the condition that the City comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Series 2018 Bonds, and the Series 2018 Bonds and interest thereon are exempt from all Arkansas state, county and municipal taxes. In the opinion of Bond Counsel, interest on the Series 2018 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. See LEGAL MATTERS, Tax Exemption herein.

\$43,785,000*
CITY OF LITTLE ROCK, ARKANSAS
LIMITED TAX GENERAL OBLIGATION
CAPITAL IMPROVEMENT BONDS
SERIES 2018

Dated: Date of Delivery

Due: April 1, as shown on inside cover page

Principal of and interest on the Series 2018 Bonds are payable from a pledge of receipts derived by the City of Little Rock, Arkansas (the "City") from a 3-mills ad valorem tax levied by the City on all taxable real and personal property located within the jurisdictional limits of the City, which pledge is on a parity with the pledge in favor of the City's Limited Tax General Obligation Capital Improvement Bonds, Series 2013. Interest on the Series 2018 Bonds is payable semiannually on April 1 and October 1 in each year, commencing April 1, 2019, and the Series 2018 Bonds mature (on April 1 of each year), bear interest and are priced to yield as shown on the inside cover page hereof.

The Series 2018 Bonds of each maturity will be initially issued as a single registered bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Series 2018 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 2018 Bonds will not receive physical delivery of Series 2018 Bonds. Payments of principal of and interest on the Series 2018 Bonds will be made by First Security Bank, Searcy, Arkansas, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Series 2018 Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Series 2018 Bonds, all as further described herein.

The Series 2018 Bonds are offered, subject to prior sale, when, as and if issued and received by the Underwriters named below, subject to the approval of legality by Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, and subject to certain other conditions. It is expected that the Series 2018 Bonds will be available for delivery on or about November 28, 2018.

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

Stephens Inc.



Dated: _____, 2018

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities 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.

\$43,785,000*
CITY OF LITTLE ROCK, ARKANSAS
LIMITED TAX GENERAL OBLIGATION
CAPITAL IMPROVEMENT BONDS
SERIES 2018

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS*^(†)

BASE CUSIP:

<u>Maturity</u> <u>(April 1)</u>	<u>Amount</u>	<u>Rate (%)</u>	<u>Yield (%)</u>	<u>CUSIP</u>
2019	\$3,320,000			
2020	2,385,000			
2021	2,505,000			
2022	4,415,000			
2023	5,295,000			

\$11,055,000 _____% Term Bonds due April 1, 2025 to Yield _____%
 \$14,810,000 _____% Term Bonds due April 1, 2028 to Yield _____%

* Preliminary; subject to change.

^(†) Copyright 2006, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, 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 Service. CUSIP numbers are provided for convenience of reference only. The City and the Underwriters take no responsibility for the accuracy of such numbers.

No dealer, broker, salesman or other person has been authorized by the City or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or other solicitation of an offer to buy, nor shall there be any sale of the Series 2018 Bonds by any persons in any state in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof.

TABLE OF CONTENTS

INTRODUCTION TO THE OFFICIAL STATEMENT	1
THE SERIES 2018 BONDS	2
Book-Entry Only System	2
Generally	4
Redemption	5
Purposes for Series 2018 Bonds	6
SECURITY FOR THE SERIES 2018 BONDS	7
General	7
Additional Bonds	8
DESCRIPTION OF THE CITY OF LITTLE ROCK	8
General	8
Government	8
Employees	9
Bill and Hillary Clinton National Airport	10
Port of Little Rock	10
Population	11
Public Schools	11
Higher Education	11
Building Permits	12
Principal Employers	12
Employment	13
Medical Facilities	13
County Economic Data	13
Litigation	13
Pension Plans	14
DEBT STRUCTURE	14
Authorized and Outstanding General Obligation Debt	14
General Obligation Debt Service	15
Defaults	16
Invalidity of Tourism Bonds	16
Overlapping Debt	17
Revenue Bonds	17
FINANCIAL INFORMATION	18
Audited Financial Statements	18
The City Budget	18
Computation of Dollar Amount of Bond Tax Levied	20
Assessed Valuation	20
Collection of Taxes	21
Overlapping Ad Valorem Taxes	21
Pension Plans	21

DEBT SERVICE REQUIREMENTS	22
DEBT SERVICE COVERAGE	23
PROJECTED MANDATORY REDEMPTION	23
SUMMARY OF ARKANSAS AD VALOREM TAX PROCEDURES	24
Taxable Property	24
Assessment	24
Reassessment	25
Valuation	26
Millage Rollback	26
Amendment 78	28
Amendment 79	28
Collection	29
Delinquent Taxes	29
Remittance of Tax Collections	30
Miscellaneous	30
THE AUTHORIZING ORDINANCE	30
The Bond Fund	30
Investments	31
Certain Covenants	32
Defaults and Remedies	32
Defeasance	33
The Trustee	33
Supplemental Ordinances	34
CONTINUING DISCLOSURE AGREEMENT	34
Purpose of the Continuing Disclosure Agreement	35
Definitions	35
Provision of Annual Report	35
Content of Annual Report	36
Reporting of Listed Events	36
Termination of Reporting Obligation	37
Dissemination Agent	37
Amendment; Waiver	37
Additional Information	38
Default	38
Duties of Trustee and Dissemination Agent and Right Of Indemnity	38
Beneficiaries	39
LEGAL MATTERS	39
Legal Proceedings	39
Legal Opinions	39
Tax Exemption	39
MISCELLANEOUS	41
Underwriting	41
Ratings	41
Enforceability of Remedies	41
Information in Official Statement	42
EXHIBIT A – Form of Bond Counsel Opinion	

OFFICIAL STATEMENT

\$43,785,000*

CITY OF LITTLE ROCK, ARKANSAS LIMITED TAX GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS SERIES 2018

INTRODUCTION TO OFFICIAL STATEMENT

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

This Official Statement of the City of Little Rock, Arkansas (the “City”) is furnished in connection with the offering by the City of its \$43,785,000* principal amount of Limited Tax General Obligation Capital Improvement Bonds, Series 2018 (the “Series 2018 Bonds”). The Series 2018 Bonds are being issued for the purpose of financing various capital improvements (the “Improvements”) for the City. See **THE SERIES 2018 BONDS, Purposes for Bonds**.

The City is a city of the first class duly organized under the laws of the State of Arkansas (the “State”) and is located in central Arkansas. The City is the capital of the State. The City is authorized under Amendment No. 62 to the Constitution of the State (“Amendment 62”) and Title 14, Chapter 164, Subchapter 3 of the Arkansas Code of 1987 Annotated (the “Authorizing Legislation”) to issue capital improvement bonds and to expend the proceeds thereof for the intended purposes. See **DESCRIPTION OF THE CITY OF LITTLE ROCK**.

The Series 2018 Bonds are limited tax general obligations of the City, secured by (i) all proceeds derived from the 3 mills annual ad valorem tax levied by the City on all taxable real and personal property located within the jurisdictional limits of the City (the “Bond Tax”), including penalties and interest payable with respect thereto, and (ii) all payments received by the City from the State in lieu thereof under Amendment No. 79 to the Arkansas Constitution (“Special State Sales Tax Collections” and collectively with collections of the Bond Tax, “Special Tax Collections”). The pledge of Special Tax Collections in favor of the Series 2018 Bonds is on a parity with the pledge in favor of the City's Limited Tax General Obligation Capital Improvement Bonds, Series 2013 (the “Series 2013 Bonds”). See **SECURITY FOR THE SERIES 2018 BONDS**. The issuance of the Series 2018 Bonds and the levy of the Bond Tax for the payment of the principal of and interest on the Series 2018 Bonds was approved at the special election held September 11, 2012. The Series 2018 Bonds are being issued pursuant to and in full compliance with Amendment 62 and the Authorizing Legislation and Ordinance No. 20,735 of the City, adopted on June 18, 2013 and Ordinance No. _____ of the City, adopted on _____, 2018 (collectively, the “Authorizing Ordinance”). See **THE AUTHORIZING ORDINANCE**.

The Series 2018 Bonds will be initially issued in book-entry form and purchasers of Bonds will not receive certificates representing their interest in the Series 2018 Bonds purchased. See **THE SERIES 2018 BONDS, Book-Entry Only System**. The Series 2018 Bonds will contain such other terms and provisions as described herein. See **THE SERIES 2018 BONDS, Generally**.

The Series 2018 Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or an integral multiple thereof. Interest is payable April 1, 2019, and semiannually thereafter on each April 1 and October 1. Unless the Series 2018 Bonds are in book-entry form, payment of principal of the Series 2018 Bonds will be made to the owners of the Series

* Preliminary; subject to change.

2018 Bonds at the principal office of First Security Bank, Searcy, Arkansas, as trustee and paying agent for the Series 2018 Bonds (the “Trustee”). Interest is payable by check mailed by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Series 2018 Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Series 2018 Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the Series 2018 Bond, together with a written instrument of transfer, to the Trustee. See **THE SERIES 2018 BONDS, Generally**, and **Book-Entry Only System**.

The Series 2018 Bonds are subject to special mandatory redemption from Surplus Tax Collections (as hereinafter defined). The Series 2018 Bonds are subject to optional redemption on and after October 1, 2022. The Series 2018 Bonds maturing on April 1 in the years 2025* and 2028* are subject to mandatory sinking fund redemption prior to maturity. The Trustee shall give at least thirty (30) days notice of redemption. See **THE SERIES 2018 BONDS, Redemption**.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Series 2018 Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Series 2018 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax and (iii) the Series 2018 Bonds and interest thereon are exempt from all State, county and municipal taxes. See **LEGAL MATTERS, Tax Exemption**.

It is expected that the Series 2018 Bonds will be available for delivery on or about November 28, 2018, through the facilities of the Depository Trust Company in New York, New York.

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

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Authorizing Ordinance and the Continuing Disclosure Agreement summarized herein are available upon request from the Underwriters listed on the cover page of this Official Statement.

THE SERIES 2018 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 2018 Bonds. The Series 2018 Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2018 Bond certificate for each maturity will be issued in the principal amount of the maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the

* Preliminary; subject to change.

holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2018 Bond (referred to herein as “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Series 2018 Bonds, except in the event that use of the book-entry system for the Series 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2018 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 2018 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2018 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 2018 Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2018 Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 2018 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 2018 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 2018 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, Series 2018 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, Series 2018 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 Underwriters nor the City make any representation or warranty regarding the accuracy or completeness thereof.

So long as the Series 2018 Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Series 2018 Bonds for all purposes under the Authorizing Ordinance, including receipt of all principal of and interest on the Series 2018 Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Authorizing Ordinance. The City and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2018 Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Authorizing Ordinance to be given to owners of Series 2018 Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Series 2018 Bonds.

Generally. The Series 2018 Bonds are dated, mature and bear interest as set forth on the inside front cover page hereof. The principal of the Series 2018 Bonds is payable upon presentation and surrender at the principal office of the Trustee. Payment of interest on the Series 2018 Bonds will be made to each registered owner thereof by check or draft mailed by the Trustee to such owner at his address as such name and address appear on the registration book of the City kept by the Trustee on the record date which is the fifteenth day of the calendar month next preceding the calendar month in which such interest payment date falls. All such payments will be made in lawful money of the United States of America.

The Series 2018 Bonds are issuable in the form of registered Series 2018 Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Authorizing Ordinance. In the event any Series 2018 Bond is mutilated, lost or destroyed, the City shall, if not then prohibited by law, execute and the Trustee may authenticate a new Series 2018 Bond in accordance with the provisions therefor in the Authorizing Ordinance.

Each Series 2018 Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Series 2018 Bond or Series 2018 Bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to any owner of any Series 2018 Bond for the privilege of registration, but any owner of any Series 2018 Bond requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Series 2018 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 2018 Bonds selected for redemption in whole or in part.

The person in whose name any Series 2018 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or interest of any Series 2018 Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2018 Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Series 2018 Bonds or the date fixed for redemption of any Series 2018 Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Redemption. The Series 2018 Bonds are subject to special mandatory, optional and mandatory sinking fund redemption prior to maturity as follows:

(1) Special Mandatory Redemption. The Series 2018 Bonds shall be redeemed from Surplus Tax Collections (hereinafter defined) on each April 1, commencing April 1, 2019, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee shall determine), in whole or in part, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

“Surplus Tax Collections” are Special Tax Collections in excess of the amount necessary to (i) make the next two interest payments, the next principal payment, the Trustee’s fees and expenses and other administrative charges with respect to the Series 2013 Bonds and the Series 2018 Bonds and (ii) pay any arbitrage rebate due under Section 148(f) of the Internal Revenue Code of 1986, as amended (the “Code”).

The City shall apply Surplus Tax Collections to the redemption of the Series 2013 Bonds and the Series 2018 Bonds and pro rata between such bonds based on the then outstanding principal amount of each (and rounded to the nearest \$5,000).

In case of any defeasance of the Series 2018 Bonds, redemption of defeased Series 2018 Bonds shall be scheduled on the basis of mandatory redemption requirements and assuming annual Special Tax Collections in an amount equal to receipts for the most recent twelve-month period.

(2) Optional Redemption. The Series 2018 Bonds are subject to redemption at the option of the City, from funds from any source, on and after October 1, 2022, 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. If fewer than all of the Series 2018 Bonds shall be called for redemption, the particular maturities of the Series 2018 Bonds to be redeemed shall be selected by the City in its discretion. If fewer than all of the Series 2018 Bonds of any one maturity shall be called for redemption, the particular Series 2018 Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(3) Mandatory Sinking Fund Redemption.^{*} To the extent not previously redeemed, the Series 2018 Bonds maturing on April 1 in the years 2025 and 2028 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on April 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:

Bonds Maturing April 1, 2025

<u>Years</u>	<u>Principal Amount</u>
2024	\$5,455,000
2025 (maturity)	5,600,000

Bonds Maturing April 1, 2028

<u>Years</u>	<u>Principal Amount</u>
2026	\$5,745,000
2027	5,865,000
2028 (maturity)	3,200,000

In the case of any redemption of Series 2018 Bonds prior to maturity, the Trustee shall mail or send via other standard means, including electronic or facsimile communication, a copy of the redemption notice to the registered owners of the Series 2018 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 2018 Bond called for redemption if funds for redemption of such Series 2018 Bond have been deposited with the Trustee as provided in the Authorizing Ordinance.

Notwithstanding the above, so long as the Series 2018 Bonds are issued in book-entry only form, if fewer than all the Series 2018 Bonds of an issue are called for redemption, the particular Series 2018 Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the Series 2018 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 2018 Bonds.**

Otherwise, any selection of Series 2018 Bonds by lot shall be effected by the Trustee, by any method chosen by the Trustee in its discretion.

Purposes for Series 2018 Bonds. At the special election held September 11, 2012, there was approved the issuance of bonds for the following purposes:

- (a) financing the construction, reconstruction or acquisition of, or improvements to, new or current streets, roads, trails, bridges and viaducts, and any necessary intersection improvements, traffic signalizations, speed calming measures, lighting, equipment, land and easement acquisition and drainage improvements therefor (“Street Improvements”) - \$73,500,000; and
- (b) financing the construction or acquisition of facilities for drainage and flood control and any necessary land and easement acquisition therefor (“Drainage Improvements”) - \$31,500,000.

^{*} Preliminary; subject to change.

The principal amount of the Series 2013 Bonds and the Series 2018 Bonds plus premium thereon are allocated among the purposes described above as follows:

	<u>Series 2013 Bonds</u>	<u>Series 2018 Bonds*</u>	<u>Total*</u>
Street Improvements	\$42,368,548	\$31,129,003	\$ 73,497,551
Drainage Improvements	<u>18,157,949</u>	<u>13,339,507</u>	<u>31,497,456</u>
TOTALS	\$60,526,497	\$44,468,510	\$104,995,007

The City will pay costs of issuing the Series 2018 Bonds from Series 2018 Bond proceeds. The proceeds of the Series 2018 Bonds are estimated to be expended by the City as follows:

SOURCES:*

Principal Amount of Series 2018 Bonds	\$43,785,000
Net Reoffering Premium	<u>683,510</u>
Total Sources	\$44,468,510

USES:*

Street Improvements	\$30,822,049
Drainage Improvements	13,207,951
Underwriters' Discount and Costs of Issuance	<u>438,510</u>
Total Uses	\$44,468,510

The payment of Underwriters' discount and the costs of issuing the Series 2018 Bonds relating to the payment of professional fees will be contingent on the Series 2018 Bonds being issued. See **MISCELLANEOUS, Underwriting** for a description of the Underwriters' discount. The City will deposit the net proceeds of the Series 2018 Bonds (principal amount plus any reoffering premium less any reoffering discount and less Underwriters' discount and issuance costs) into two construction funds established in the Trustee designated "2018 Street Construction Fund" and "2018 Drainage Construction Fund" (collectively, the "2018 Construction Funds" and each, a "2018 Construction Fund"). Moneys contained in the 2018 Construction Funds will be disbursed by the Trustee in payment of costs of the Improvements, paying necessary expenses incidental thereto and paying expenses of issuing the Series 2018 Bonds. Each 2018 Construction Fund will have deposited therein a pro rata portion of the Series 2018 Bond proceeds based upon principal amount. Moneys in each 2018 Construction Fund shall be used only for the specific Improvements related thereto. Disbursements shall be on the basis of requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. For a description of how the Series 2018 Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE AUTHORIZING ORDINANCE, Investments**.

SECURITY FOR THE SERIES 2018 BONDS

General. The Series 2018 Bonds are limited tax special obligations of the City secured by the levy of a continuing annual Bond Tax and by a pledge of the Special Tax Collections. The pledge of Special Tax Collections in favor of the Series 2018 Bonds is on a parity with the pledge in favor of the Series 2013 Bonds. Special Tax Collections must be used solely to pay the principal of and interest on the Series 2013 Bonds and the Series 2018 Bonds, Trustee's fees and expenses and other administrative charges and any arbitrage rebate due under Section 148(f) of the Code. The Series 2018 Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE**.

* Preliminary; subject to change.

The rate of the Bond Tax cannot exceed the rate specified on the ballot for the September 11, 2012 election at which the Series 2018 Bonds were approved. The maximum rate specified for the Series 2018 Bonds is three mills per dollar of assessed value of taxable property in the City. For a discussion of the estimated amount of Special Tax Collections to be collected in each year, see Computation of Dollar Amount of Bond Tax Levied.

The electors adopted Constitutional Amendment No. 79 at the November 2000 General Election. This Amendment, which was effective January 1, 2001, provides for an annual state credit against ad valorem property tax on a homestead. As directed by the Amendment, the General Assembly has instituted a statewide sales and use tax in the amount of one half of one percent (0.5%). The purpose of the statewide sales and use tax is to assure that the tax or millage levied for bonded indebtedness will provide a level of income sufficient to meet current debt service and other expenses requirements. See **SUMMARY OF ARKANSAS AD VALOREM TAX PROCEDURES, Property Tax Relief Trust Fund**.

The Series 2018 Bonds are not secured by any lien on or security interest in any physical properties. There is no debt service reserve for the Series 2018 Bonds.

Additional Bonds. The City covenants that it will not issue any additional bonds, or incur any other additional obligations, secured by a lien on or pledge of the Special Tax Collections.

DESCRIPTION OF THE CITY OF LITTLE ROCK

General. The City is organized under the laws of the State of Arkansas as a city of the first class. It is the capital of the State and was chartered in 1835.

The City is the largest city in the State as well as the governmental, economic, cultural and financial center of the State. It is nearly equidistant from the four corners of the State and is the county seat of Pulaski County (the "County"). Within a radius of 500 miles from the City are located 24 metropolitan areas and substantial portions of 17 states containing more than one third of the nation's population. Major cities near the City include St. Louis, 360 miles northeast; Kansas City, 400 miles northwest; Atlanta, 520 miles east; New Orleans, 440 miles south; Oklahoma City, 350 miles northwest; Dallas, 310 miles southwest; and Memphis, 135 miles northeast.

The City is served by U.S. Interstates 30 and 40, U.S. Highways 65, 67, 70 and 167, and State Highways 10, 338, 365 and 367. Union Pacific Railroad Company and Amtrak provide railroad service to the City. The Bill and Hillary Clinton National Airport is owned by the City of Little Rock and operated by the Little Rock Municipal Airport Commission, and is served by American Airlines, Delta Airlines, Southwest Airlines, United Airlines, Allegiant Air, Frontier Airlines and VIA Airlines.

Government. The City operates under the City Manager/City Board form of municipal government. It has an 11-member Board of Directors, including a directly elected Mayor, with seven Directors elected from wards and three Directors elected city-wide. The Mayor's position is a city-wide elected position and must be elected by at least 40% of the votes cast. If no candidate for Mayor receives 40% or more of the votes cast, the two candidates receiving the most votes will face each other in a run-off election. All Directors and the Mayor serve four-year terms.

At a special election held August 14, 2007, the voters of the City approved two measures which granted to the Mayor greater powers including granting the Mayor veto power over measures adopted by the Board of Directors, subject to override by the Board, the authority to hire and fire the City Manager and City Attorney, subject to Board approval, to fill vacancies on municipal boards and commissions, subject to Board approval, and to prepare the annual budget with the City Manager, subject to Board approval.

The current members of the City of Little Rock Board of Directors are as follows:

<u>Name</u>	<u>Term Expires</u>	<u>Principal Occupation</u>
Mark Stodola, Mayor	December 31, 2018	Mayor, City of Little Rock
Kathy Webb, Vice Mayor	December 31, 2018	Executive Director, Arkansas Hunger Relief Alliance
Lance Hines	December 31, 2018	Transportation Consultant/Outside Sales with Priority 1, Inc.
Dean Kumpuris	December 31, 2020	Physician
Gene Fortson	December 31, 2020	Businessman
Ken Richardson	December 31, 2018	Community Activist for Disadvantaged Youth
Capi Peck	December 31, 2020	Restaurateur and Community Activist
B.J. (Brenda) Wyrick	December 31, 2018	State of Arkansas; Enterprise Services Network Division of the Arkansas Department of Information Services
Joan Adcock	December 31, 2020	Community Activist
Erma Hendrix	December 31, 2018	Retired Psychiatric Nurse
Doris Wright	December 31, 2018	Retired Program Manager and Community Activist for West Central Little Rock

The principal executive officers of the City are:

<u>Office</u>	<u>Name</u>
City Manager	Bruce Moore
Assistant City Manager	James Jones
Director of Finance	Sara Lenehan
City Attorney	Thomas M. Carpenter

The City Manager and the City Attorney are appointed by the Board of Directors; the Director of Finance and Assistant City Manager are employed by the City Manager.

The City provides a broad range of municipal services under the auspices of the City Manager, including: Police, Fire, Parks and Recreation, Finance, City Clerk, Personnel, Housing and Neighborhood Programs, Planning and Development, Streets, Solid Waste and Landfill, Zoo, Fleet Services and Information Technology. Boards and commissions have primary responsibility for the operation of the City's Airport, Water Reclamation Authority (formerly the Wastewater Utility), and Emergency Medical Service. The water utilities of the City have been conveyed for operation by a joint board known as Central Arkansas Water consisting of the former Little Rock and North Little Rock Water Utilities.

Employees. The City operates a full service Human Resources Department under the leadership of Stacey Witherell, Human Resources Department Director. City workers are represented by a number of trade unions. The primary ones are the American Federation of State, County and Municipal Employees, representing blue-collar employees; the Fraternal Order of Police, representing police officers; and the International Association of Fire Fighters, representing fire department employees.

As of December 31, 2017, the City employment was as follows:

<u>City Government</u>	<u>Total</u>	<u>Full-Time</u>	<u>Part-Time</u>
AFSCME	396	396	0
IAFF	390	390	0
FOP	524	524	0
Non-union	<u>1,238</u>	<u>684</u>	<u>554</u>
	2,548	1,994	554
 <u>Commissions</u>			
Water Reclamation Authority	214	214	0
Bill & Hillary Clinton National Airport	154	152	2
LR Convention & Visitors Bureau	183	120	63
Port Authority	8	8	0
Metropolitan Emergency Medical Services	352	338	14
Rock Region Metro	203	200	3
Arkansas Museum of Discovery	43	27	16
Arkansas Arts Center	102	51	51
Central Arkansas Library	<u>294</u>	<u>200</u>	<u>94*</u>
	<u>1,553</u>	<u>1,310</u>	<u>243</u>
Total Employment	4,101	3,304	797

* Includes 47 temporary

Bill and Hillary Clinton National Airport. Bill and Hillary Clinton National Airport is located within the city limits of Little Rock and is three miles from downtown. It is served by seven airlines. It has three runways and twelve gates (eleven with jetways). In 2017, 2,029,309 passengers traveled through this facility. A total of 794,992 passengers had traveled through this facility as of May 2018.

Source: Bill and Hillary Clinton National Airport Website: Fly-LIT.com - Activity Report.

Port of Little Rock. The development of the Arkansas River through the McClellan-Kerr Arkansas River Navigation System has resulted in a 448-mile navigation channel with 18 locks and dams from the Mississippi River northwest to a point 15 miles east of Tulsa, Oklahoma. The ability to provide low-cost, bulk transportation has created opportunities for industrial development in the area.

Little Rock is also the location of Foreign Trade Zone #14. The Zone is located in the Little Rock Port Industrial Park and allows imported goods to be stored or processed without payment of customs duty or posting of bond until the goods are moved out of the Zone and into normal domestic commerce.

The facility includes an Industrial Harbor which is 4,500 feet long, 320 feet wide and 15 feet deep. The Harbor is surrounded by 312 acres of new industrial sites and provides an additional two miles of water frontage.

Source: City of Little Rock, Arkansas Port Authority.

Population. The following chart sets out population data for the City and the County (source: U.S. Bureau of Census):

<u>Year</u>	<u>Little Rock</u>	<u>Pulaski County</u>
2010	193,524	382,748
2000	183,133	361,474
1990	175,795	349,660
1980	159,151	340,613
1960	107,813	242,980

Public Schools. Enrollment in the Little Rock School District, whose boundaries are generally co-extensive with the City limits, has been as follows:

<u>School Year</u>	<u>Enrollment⁽¹⁾</u>
2017-2018	22,338
2016-2017	22,759
2015-2016	23,164
2014-2015	23,363
2013-2014	23,676

Source: Arkansas Department of Education

⁽¹⁾Total enrollment

Higher Education. Little Rock offers educational institutions with instruction in undergraduate, graduate and professional fields. The following is a list of colleges and universities located within the Little Rock MSA (or with relatively short commutes) with approximate on-campus enrollments:

University of Central Arkansas (Conway)	11,177 ⁽¹⁾
University of Arkansas - Little Rock	10,525 ⁽¹⁾
University of Arkansas - Pulaski Technical College	5,451 ⁽¹⁾
University of Arkansas Medical Sciences Campus	2,758 ⁽¹⁾
Hendrix College (Conway)	1,208 ⁽¹⁾
Philander Smith College	989 ⁽¹⁾
Central Baptist College (Conway)	732 ⁽¹⁾
Arkansas Baptist College	486 ⁽¹⁾
Jacksonville-Little Rock Air Force Base University Center	434 ^{(2)*}
University of Arkansas Bowen School of Law	400 ⁽²⁾

(1) Fall 2018

(2) Fall 2017

* Includes numbers from Webster University branch located on that campus.

Building Permits. The following table shows new construction in the City, as reflected by building permits issued, at year end:

<u>Year</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>	
	<u>Number of Permits</u>	<u>Value</u>	<u>Number of Permits</u>	<u>Value</u>
2017	50	\$138,433,381	481	\$130,595,311
2016	43	82,627,428	341	127,877,723
2015	42	110,946,286	348	110,448,031
2014	44	165,163,728	371	142,935,184
2013	40	66,466,839	366	133,022,786

Sources: City of Little Rock Planning Department.

Principal Employers. The City’s economy is comprised of a diverse mix of financial, commercial, industrial, government, health and educational sectors. This diversity helps maintain a relatively stable employment environment in the City. The top 15 employers within the boundaries of the City and Pulaski County (except as noted for the MSA) for 2017 were as follows:

<u>Rank</u>	<u>Employer</u>	<u>Product/Service</u>	<u>Employees</u>
1	State Government (MSA)	Government	35,200
2	Local Government (MSA)	Government	26,500
3	Federal Government (MSA)	Government	10,200
4	University of Arkansas for Medical Sciences	Education/Medical Services	9,100
5	Baptist Health	Medical Services	6,590
6	Little Rock Air Force Base	Government	4,500
7	Arkansas Children’s Hospital	Medical Services	4,000
8	Little Rock School District	Schools/Colleges/Education	3,500
9	Central Arkansas Veterans HealthCare System	Medical Services	2,800
10	Entergy Arkansas	Utility (Electric)	2,740
11	Pulaski County Special School District	Schools/Colleges/Education	2,700
12	AT&T	Utility (Telephone)	2,600
13	CHI St. Vincent	Medical Services	2,600
14	Arkansas Blue Cross Blue Shield	Insurance	2,590
15	Verizon Wireless	Communications/Telecommunications	2,500

Source: Little Rock Regional Chamber of Commerce.

University of Arkansas for Medical Sciences (UAMS) cut in excess of \$30 million in expenses during the fiscal year ended June 30, 2018, to comply with its budget as approved by the University of Arkansas Board of Trustees. UAMS reduced its workforce by approximately 600 positions, laying off approximately 258 workers and cutting the remaining unfilled positions.

Employment. The Arkansas Department of Workforce Services has provided the following data about the labor force and rate of unemployment for the Little Rock MSA:

<u>Date</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate (%)</u>
2018*	353,632	342,218	11,414	3.2
2017	355,620	343,894	11,726	3.3
2016	350,470	338,038	12,432	3.5
2015	347,507	331,854	15,653	4.5
2014	339,859	321,347	18,512	5.4
2013	342,483	320,307	22,176	6.5

*As of May 2018.

Medical Facilities. Little Rock hospitals serve patients throughout the State. Baptist Medical Center, the area’s largest hospital, has an 843-bed capacity. Baptist Medical Center - North Little Rock has a 225-bed capacity. St. Vincent Infirmiry Medical Center is a 615-bed general hospital. St. Vincent Medical Center/North is a 69-bed general care hospital. The Arkansas Children’s Hospital is a 369-bed facility that administers acute pediatric care to children up to age 21. The Central Arkansas Veterans Healthcare System includes two hospitals: Eugene J. Towbin Healthcare Center in North Little Rock, which has an 86-bed capacity; and John L. McClellan Memorial Veterans Hospital, located on the campus of the University of Arkansas for Medical Sciences Medical Center, which has a 305-bed capacity. The Arkansas Heart Hospital is a 110-bed facility specializing in cardiac care. University of Arkansas for Medical Sciences Medical Center has a 450-bed capacity, and the Arkansas State Hospital is a 321-bed psychiatric facility. Arkansas Surgical Hospital is a 49-bed surgery and general medical care hospital located in North Little Rock.

Sources: Arkansas Department of Health and U. S. Department of Veterans Affairs.

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

<u>Year</u>	<u>Per Capita Personal Income</u>
2016	\$47,834
2015	46,714
2014	45,036
2013	43,235
2012	45,172

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

<u>Year</u>	<u>Total Personal Income</u>
2016	\$18,810,571,000
2015	18,355,248,000
2014	17,682,472,000
2013	16,918,400,000
2012	17,567,786,000

⁽¹⁾Source: Bureau of Economic Analysis, United States Department of Commerce.

Litigation. The City is a party to multiple matters of litigation and regulatory proceedings arising from the City’s various governmental activities. There are no lawsuits or regulatory proceedings pending or, to the knowledge of the City, threatened against the City, in which claims of damage are made which, individually or in the aggregate, create a financial exposure which would substantially impair the financial solvency of the City.

Pension Plans. Substantially all of the City's employees receive retirement benefits. The City sponsors three single employer defined benefit plans, one agent-multiple employer defined pension plan and two defined contribution pension plans. The City also contributes to three cost-sharing multiple employer defined benefit pension plans. The assets of the plans are maintained in legally separate trusts and each plan's assets may be used only for the payment of benefits to the members of that plan or their beneficiaries in accordance with the terms of the plan.

Information regarding the pension plans as of December 31, 2017 is found in Note 6 to the general purpose financial statements of the City for the fiscal year ended December 31, 2017 which are contained in the City's Comprehensive Annual Financial Report ("CAFR"). The CAFR can be viewed in its entirety, including the accountants' report, notes to the financial statements and required supplementary information on the City's website at www.littlerock.gov.

DEBT STRUCTURE

The information set forth under the heading "DEBT STRUCTURE" was obtained from the City of Little Rock and is believed to be accurate.

Authorized and Outstanding General Obligation Debt. As of December 31, 2017 the City had outstanding four limited tax general obligation bond issues and a number of short term general obligation notes.

	Amount Issued	Amount Outstanding as of December 31, 2017
Temporary Notes Payable	\$ 36,754,000	\$22,530,551
2013 Limited Tax General Obligation Capital Improvement Bonds (Series 2013 Bonds)	58,105,000	18,810,000
2014 Tax Incremental Financing Capital Improvement Bonds	2,615,000	2,615,000
2015 Library Construction and Refunding Bonds	36,620,000	34,625,000
2017 Library Refunding Bonds	<u>15,925,000</u>	<u>15,925,000</u>
 Total General Obligation Bond Debt	 \$147,404,000	 \$94,505,551
 Net Original Issue Premium on Outstanding General Obligation Bond Debt		 <u>2,158,457</u>
 Total General Obligation Bond Debt Plus Original Issue Premium		 \$96,664,008
 Less Amount Available in Debt Service Fund		 <u>(16,381,890)</u>
 Total Amount of Debt Applicable to Debt Limitation		 <u>\$80,282,118</u>
 Legal Debt Limit (25% of current assessed valuation of \$4,295,678,477)		 \$1,073,919,619
 Legal Debt Margin		 \$993,637,501

Source: City of Little Rock Director of Finance.

General Obligation Debt Service. The scheduled consolidated annual debt service requirements for the outstanding general obligation debt (long term and short term combined) of the City is as follows as of December 31, 2017:

Fiscal Year Ending <u>December 31</u>	Capital Improvement Bonds and Temporary Notes		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$10,502,682	\$ 2,739,039	\$ 13,241,721
2019	10,571,493	2,580,959	13,152,452
2020	9,755,717	2,256,545	12,012,263
2021	8,837,624	1,927,475	10,765,099
2022	6,633,035	1,607,666	8,240,701
2023	5,810,000	1,334,575	7,144,575
2024	6,035,000	1,130,888	7,165,888
2025	6,090,000	969,863	7,059,863
2026	3,525,000	852,588	4,377,588
2027	3,570,000	775,450	4,345,450
2028	1,670,000	710,431	2,380,431
2029	1,720,000	658,538	2,378,538
2030	1,775,000	603,894	2,378,894
2031	1,830,000	546,456	2,376,456
2032	1,890,000	488,331	2,378,331
2033	1,950,000	428,331	2,378,331
2034	2,010,000	370,225	2,380,225
2035	2,065,000	314,196	2,379,196
2036	4,735,000	178,200	4,913,200
2037	2,175,000	48,850	2,223,850
2038	1,355,000	13,550	1,368,550
	<u>\$94,505,551</u>	<u>\$20,536,050</u>	<u>\$115,041,602</u>

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Ratio of Annual Debt Service Payments for General Obligation Bonded Debt to Total General Governmental Expenditures:

<u>Year</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service⁽¹⁾</u>	<u>Total Governmental Expenditures</u>	<u>Ratio of Debt Service to Total Governmental Expenditures</u>
2008	\$11,670,000	\$3,383,167	\$15,053,167	\$201,305,747	7.5%
2009	12,571,500	3,615,452	16,186,952	198,514,762	8.2
2010	15,560,000	4,067,509	19,627,509	203,076,482	9.7
2011	20,119,830	3,460,671	23,580,501	205,819,645	11.5
2012	22,368,344	3,110,233	25,478,577	249,883,293	10.2
2013	14,186,058	4,329,645	18,515,703	259,564,559	7.1
2014	22,020,574	5,297,890	27,318,464	282,477,906	9.7
2015	26,140,438	5,145,133	31,285,571	276,343,888	11.3
2016	23,024,131	4,682,416	27,706,547	292,810,265	9.5
2017	27,620,797	5,054,785	32,675,582	296,044,325	11.0

⁽¹⁾ Includes debt service from both long term and short term general obligation bonds and notes and debt payable solely from franchise fees collected from public utilities for the privilege of using the City’s streets and public rights-of-way (“franchise fees”).

Source: City of Little Rock Comprehensive Annual Financial Report FYE 12/31/17 and current information provided by the office of the Director of Finance for the City of Little Rock, Arkansas.

Ratio of General Net Obligation Bonded Debt to Assessed Value and Net Bonded Debt Per Capita:

<u>Year</u>	<u>Population⁽¹⁾</u>	<u>Assessed Value</u>	<u>Net Bonded Debt⁽²⁾</u>	<u>Ratio of Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
2008	183,133	\$3,548,312,346	\$53,957,004	1.52%	\$294.63
2009	183,133	3,599,986,732	66,838,805	1.86	364.97
2010	193,524	3,611,101,292	51,156,339	1.42	264.34
2011	193,524	3,727,044,948	35,885,192	0.96	185.43
2012	193,524	3,771,510,712	41,931,407	1.11	216.67
2013	193,524	3,863,172,626	97,163,816	2.52	502.08
2014	193,524	4,003,314,306	81,549,426	2.04	421.39
2015	193,524	4,048,929,147	91,333,708	2.26	471.95
2016	193,524	4,230,314,646	75,177,306	1.78	388.47
2017	193,524	4,295,678,477	57,751,567	1.34	298.42

Source: City of Little Rock Comprehensive Annual Financial Report FYE 12/31/17 and current information provided by the office of the Director of Finance for the City of Little Rock, Arkansas.

⁽¹⁾ “2000 Census and 2010 Census”

⁽²⁾ “General obligation bonds only exclusive of bonds and notes secured by general fund of the City and franchise fees”

Defaults. No general obligation or revenue securities for which the City is an obligated party (as opposed to a conduit issuer) have been in default as to principal or interest payments or in any other material respect at any time in the last 64 years.

Invalidity of Tourism Bonds. In the case of Purvis v. City of Little Rock, 282 Ark. 101, 669 S.W.2d 900 (1984), a divided Arkansas Supreme Court held invalid an issue of bonds by the City of Little Rock to finance construction of a privately-owned motel on City property. Four of the seven justices concurred in the result on the basis of that either (1) the bonds were issued

without a required election, or (2) the bonds were not issued for a proper public purpose. These bonds were revenue bonds payable solely from lease rentals paid by the user of the motel, and the City was not obligated to use any other funds for payment of debt service. After the Supreme Court decision, the Lessee paid all bondholders in full and took title to the motel property. No other obligations of the City have been declared invalid or unenforceable in the last 34 years.

Overlapping Debt. Property within the City is also chargeable with a portion of the debt of the Little Rock School District, shown as follows as of December 31, 2017:

	Gross Debt Less Funds Available for <u>Retirement</u>	Percentage Applicable to <u>the City</u>	Amount Chargeable to Property Within <u>City</u>
Little Rock Public School District	\$191,827,932	100%	\$191,827,932

Source: Little Rock School District.

Revenue Bonds. The City and its Commissions have issued revenue bonds, which are not general obligations of the City but which are repayable solely from the specific revenues of the City pledged to pay debt service on these bonds. The amount of these bonds outstanding at December 31, 2017, was as follows:

2003 Capital Improvement & Refunding Bonds (Parking Bonds)	\$ 7,265,000
2007 Waste Disposal Bonds	1,455,000
Water Reclamation System Revenue Bonds ⁽¹⁾	294,239,648
2014 Hotel and Restaurant Gross Receipts Tax Bonds ⁽²⁾	62,775,000
2017 Capital Improvement Refunding Revenue Bonds	17,875,000
2017 Port Authority Revenue Bonds ⁽³⁾	4,950,000
 Total	 <u>\$388,559,648</u>

Source:⁽¹⁾ Little Rock Water Reclamation Authority

⁽²⁾ Little Rock Advertising and Promotion Commission

⁽³⁾ Little Rock Port Authority

The City issued on April 4, 2018, its Water Reclamation System Revenue Bond in the principal amount of \$61,600,000.

The annual requirements to amortize the principal and interest of all bonded indebtedness as of December 31, 2017, are as follows:

Year Ending December 31	General Obligation Bonds	General Temporary Notes	Revenue Bonds	Total Primary Government
2018	\$ 5,514,361	\$ 7,727,361	\$ 2,731,155	\$ 15,972,877
2019	7,040,125	6,112,327	2,733,191	15,885,643
2020	7,135,500	4,876,763	2,727,760	14,740,023
2021	7,135,225	3,629,874	2,729,404	13,494,503
2022	7,132,975	1,107,726	2,727,566	10,968,267
Thereafter	57,629,363	0	21,846,477	79,475,840
Total	\$91,587,549	\$23,454,051	\$35,495,553	\$150,537,153

FINANCIAL INFORMATION

Audited Financial Statements. The City's Comprehensive Annual Financial Report (“CAFR”) contains the audited general purpose financial statements of the City. The most recent CAFR is for the fiscal year ended December 31, 2017. The CAFR can be viewed in its entirety, including the accountants' report, notes to the financial statements and required supplementary information on the City's website at www.littlerock.gov.

The City Budget. The three principal sources of revenue for the City’s operating budget are sales and use taxes, utility franchise fees and property taxes. The County sales and use tax is levied by Pulaski County and distributed to the governmental entities on a per capita basis. Sales and use tax proceeds have increased steadily since the tax was approved by the voters in 1982, despite a successful lawsuit which required that the County discontinue collection of the use tax portion of the sales and use tax in 1986. The use tax was reinstated in 1987 and successfully defended against litigation before the Arkansas Supreme Court in 1990 and again in 2004.

Little Rock citizens passed an additional one (1)-cent local sales and use tax in September 2011 that went into effect on January 1, 2012. Faced with significant challenges with stagnant revenue in many areas due to the lingering effects of the economic downturn, and one of the lowest local tax rates in the State, citizens supported the new tax initiative. The City held several public hearings in each of the seven (7) wards to discuss priority needs associated with Public Safety, Public Works, Jobs and Economic Development, Parks and Recreation, Zoo and Tourism, and other priorities, including fleet replacement, information technology needs, pension funding, and public transportation. The priority needs were divided between ongoing operating needs and capital needs. The five-eighths (5/8)-cent permanent increase in sales and use tax for operations is reflected in the 2018 adopted budget. The three-eighths (3/8)-cent temporary sales tax for capital projects, which expires in 2021, is reflected in the Sales Tax Capital Improvements Fund. The tax increase provides funding for additional police officers, more code enforcement officers, new fire and police facilities, infrastructure projects, and a new emergency communications system. In the first six (6) years of collection, the sales and use tax provided additional resources of approximately \$289.3 million, including approximately \$180.7 million for operations and \$108.6 million for capital projects.

On February 21, 2012, the Little Rock City Board of Directors approved Resolution No. 13,440, which appointed the Little Rock Citizen’s Evaluation of New Tax (LR CENT) Committee. The Committee, which is comprised of two (2) co-chairs, seven (7) individuals from each of the City’s seven (7) wards and three (3) at-large members, meets on a quarterly basis to evaluate the spending of the additional revenue that results from the one (1)-cent sales and use tax increase.

In 2002, the Board of Directors adopted a policy that established a designated reserve within the General Fund. At the end of the fiscal year, the Board reviews audited financial statements and determines the appropriate amount to place in the reserve. Prior to 2006, the Board had increased the reserve to \$9,418,000. The General Fund goal was to set aside the greater of \$10,000,000, or 10% of General Fund revenues in the reserve. In 2016, the City's management team increased the reserve to \$10 million, with the intent of gradually increasing the designated reserve to achieve 10% of General Fund revenues over the next few years.

Utility franchise fees are collected as a percentage of the gross revenues of the utilities doing business in the City of Little Rock: Entergy Arkansas, CenterPoint Energy, Comcast Cable, AT&T U-Verse, Windstream and a number of telecommunication providers of local landlines and long distance. State tax turnback (intergovernmental revenues) consists of general revenue and gasoline tax revenues and is distributed to Arkansas municipalities on a per capita basis.

The following table summarizes City revenues and expenditures for governmental operating funds for the years indicated:

Statement of Governmental Activities

<u>Primary Government</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Administration	\$ 26,813,859	\$ 27,191,992	\$ 32,335,232	\$ 28,457,988	\$ 27,607,487
Mayor and Board of Directors	276,763	322,117	341,353	348,348	338,247
Community Programs	4,435,862	5,624,398	6,246,524	5,935,184	5,361,571
City Attorney	1,569,818	1,672,571	1,726,729	1,768,815	1,759,449
First District Court	1,217,988	1,318,092	1,297,344	1,306,553	1,183,866
Second District Court	1,239,364	1,220,193	1,287,146	1,375,066	1,193,968
Third District Court	585,222	615,198	638,279	625,799	496,027
Finance	3,054,393	3,222,126	3,137,469	3,557,872	3,866,605
Human Resources	1,808,338	1,947,082	1,850,886	1,801,017	2,060,121
Information Technology	4,977,707	4,768,348	4,671,708	5,623,892	6,044,200
Planning and Development	2,096,978	2,177,328	2,049,846	2,472,453	2,533,358
Public Works	36,968,065	39,260,053	39,559,132	39,423,882	36,221,854
Parks and Recreation	11,209,542	11,436,512	11,324,541	13,144,116	14,871,467
Rivermarket	1,298,266	1,337,298	1,298,563	1,284,327	1,331,241
Golf	2,162,056	2,420,678	2,434,632	2,551,972	2,526,247
Jim Dailey Fitness Center	983,422	1,389,915	988,633	1,004,748	1,009,427
Zoo	6,927,190	6,920,847	10,754,587	7,466,778	7,419,725
Fire	48,798,721	48,017,977	36,708,372	51,670,486	54,864,567
Police	64,480,813	74,326,931	71,455,621	75,772,406	78,969,098
Economic Development	0	0	0	0	528,000
Education	11,361,720	6,505,814	5,773,774	10,0131,713	7,130,903
Housing and Neighborhood Programs	9,238,779	6,996,437	10,142,884	9,149,127	9,942,239
Fleet	2,714,412	3,397,637	1,164,920	1,918,738	896,094
Principal on Long-term Debt	0	0	0	0	0
Interest Expense on Long-term Debt	4,203,511	5,096,215	4,680,035	4,641,761	3,109,197
Bond Issue Costs	0	0	117,481	0	493,387
Agent Fees on Long-term Debt	0	0	33,030	0	5,875
Total Governmental Activities	<u>\$248,422,789</u>	<u>\$257,185,759</u>	<u>\$252,018,721</u>	<u>\$271,433,041</u>	<u>\$271,764,220</u>
<u>Less Program Revenues:</u>					
Charges for Services	\$ 32,012,482	\$ 31,974,520	\$ 31,944,939	\$435,813,451	\$ 32,647,795
Operating Grants and Contributions	8,133,436	5,396,151	6,041,316	4,619,575	4,330,755
Capital Grants and Contributions	<u>2,028,323</u>	<u>1,379,420</u>	<u>591,966</u>	<u>2,415,017</u>	<u>1,568,435</u>
Total Program Revenues	<u>42,174,241</u>	<u>38,750,091</u>	<u>38,578,221</u>	<u>42,848,043</u>	<u>38,546,985</u>
Net expense before General Revenues And Transfers	<u>\$206,248,548</u>	<u>\$218,435,668</u>	<u>\$213,440,500</u>	<u>\$228,584,998</u>	<u>\$233,217,235</u>
<u>General Revenues:</u>					
General Property Taxes	\$ 52,833,701	\$ 51,570,745	\$ 50,469,150	\$ 57,028,881	\$ 56,421,850
Sales Taxes	112,749,306	114,294,652	118,312,110	118,220,534	120,269,724
Utility Franchise Fees	29,707,701	29,898,410	31,064,494	29,599,082	29,326,328
Investment income and unrealized gains	(116,617)	1,131,952	775,618	559,560	1,094,589
Grants and Contributions not Restricted to Specific Programs	23,452,078	27,219,998	22,990,373	25,055,029	23,009,538
Other	(148,720)	0	0	0	7,428,860
Transfers	1,661,580	1,804,131	1,816,098	1,801,106	1,880,606
Total General Revenues and Transfers	<u>277,218,059</u>	<u>225,919,888</u>	<u>225,428,843</u>	<u>232,264,192</u>	<u>239,431,495</u>
Change in Net Assets	70,969,511	7,484,220	11,988,343	3,679,194	6,214,260
Net Assets, Beginning of Year, As Previously Reported	511,466,968	581,982,476	589,466,696	479,895,929	483,575,123
Adjustment Applicable to Prior/ Change in Accounting Principle	<u>(454,003)</u>	<u>0</u>	<u>(121,599,110)</u>	<u>0</u>	<u>0</u>
Net Assets, Beginning of Year, As Restated	<u>511,012,965</u>	<u>581,982,476</u>	<u>467,907,586</u>	<u>479,895,929</u>	<u>483,575,123</u>
Net Assets, End of Year	<u>\$581,982,476</u>	<u>\$589,466,696</u>	<u>\$479,895,929</u>	<u>\$483,575,123</u>	<u>\$489,789,383</u>

*Source: City of Little Rock Assistant Director of Finance; Comprehensive Annual Financial Reports for the years referenced above.

Computation of Dollar Amount of Bond Tax Levied. The most recent county-wide reassessment of taxable property required by the Arkansas Supreme Court was completed in Pulaski County in 2017. For purposes of Amendment 59, the year in which the reassessment is completed is known as the “Base Year.” For a general discussion of the reassessment requirement and its effect on assessed value and the tax rate. See, **SUMMARY OF ARKANSAS AD VALOREM TAX PROCEDURES.**

The Bond Tax pledged to the Series 2013 Bonds and the Series 2018 Bonds is levied at the rate of 3.0 mill. For purposes of this computation it has been assumed that collections of the Bond Tax will remain constant for so long as any of the Series 2013 Bonds and the Series 2018 Bonds remain outstanding. In connection with this assumption, it is assumed that Special State Sales Tax Collections will equal the decrease in collections of the Bond Tax resulting from the Homestead Exemption. See, **SUMMARY OF ARKANSAS AD VALOREM TAX PROCEDURES, Homestead Exemption,** infra. However, if the assessed valuation of the property in the City increases or decreases for any reason, the dollar amount of the Bond Tax actually levied will increase or decrease proportionately as will the Special State Sales Tax Collections.

Assessed Valuation. The following table contains the assessed valuation of real, personal and utility property within the City:

Year	Real Property	Personal Property	Utility Property	Total
2008	\$2,518,822,634	\$797,663,450	\$231,826,262	\$3,548,312,346
2009	2,629,177,832	740,067,682	230,741,218	3,599,986,732
2010	2,683,795,008	681,224,074	246,082,210	3,611,101,292
2011	2,759,721,864	717,552,554	249,770,530	3,727,044,948
2012	2,732,143,368	800,186,894	239,180,450	3,771,510,712
2013	2,840,238,586	765,722,146	257,211,894	3,863,172,626
2014	2,933,524,621	794,658,400	275,131,285	4,003,314,306
2015	3,008,366,567	787,937,640	252,624,940	4,048,929,147
2016	3,117,379,881	858,956,525	253,978,240	4,230,314,646
2017	3,213,577,682	842,285,575	239,815,220	4,295,678,477

Source: Arkansas Assessment Coordination Department.

Collection of Taxes. Collections of ad valorem taxes levied by the City are shown in the following table:

Year Ended	Total Tax Levy	Collection of Current Year's Taxes During Current Period	Percentage of Levy Collected	Prior Years' Collections	Total Collections	Percentage of Total Collections to Tax Levy
2008	\$45,120,783	\$40,672,208	90.14%	\$2,235,852	\$42,908,060	95.10%
2009	48,789,133	43,092,225	88.32	2,590,493	45,682,718	93.63
2010	49,499,645	43,811,489	88.51	3,134,144	46,945,633	94.84
2011	49,687,697	45,445,800	91.46	3,003,035	48,448,835	97.51
2012	51,282,012	46,805,016	91.27	3,200,327	50,005,343	97.51
2013	50,385,921	45,233,261	89.77	2,832,651	48,065,912	95.40
2014	51,613,055	47,315,821	91.67	2,805,622	50,121,443	97.11
2015	53,396,476	48,850,999	91.49	2,564,574	51,415,573	96.29
2016	53,782,561	49,486,679	92.01	2,606,358	52,093,037	96.86
2017	56,364,487	50,946,371	90.39	2,742,826	53,689,197	95.25

Note: Property assessments are made, tax rates (millages) are established, and taxes are levied in one year for payment by the taxpayer and collection by local governments the following year. Data is not available to show the current level by year of outstanding delinquent taxes.

Source: City of Little Rock, Director of Finance

Overlapping Ad Valorem Taxes. The ad valorem taxing entities in the State of Arkansas are municipalities, counties, school districts and community college districts. All taxable property located within the boundaries of a taxing entity is subject to taxation by that entity. Thus, property within a municipality is also subject to county ad valorem taxes. Property located within a school district and/or within a community college district is also subject to taxation by that entity or entities. The present rate of ad valorem taxation on taxable property within the City (not including the Bond Tax) is 12.1 mills. The ad valorem tax entities whose boundaries overlap the City and their ad valorem taxing rates are:

<u>Names of Overlapping Entity</u>	<u>Mills</u>
Pulaski County General, Hospital, and Roads	10.10
Little Rock School District (LRSD)	46.40
Pulaski County Special School District (PCSSD)	40.70
City of Little Rock	15.10

Source: Arkansas Assessment Coordination Department.

Pension Plans. Substantially all of the City's employees receive retirement benefits. The City sponsors three single employer defined benefit plans, one agent-multiple employer defined pension plan and two defined contribution pension plans. The City also contributes to three cost-sharing multiple employer defined benefit pension plans. The assets of the plans are maintained in legally separate trusts and each plan's assets may be used only for the payment of benefits to the members of that plan or their beneficiaries in accordance with the terms of the plan.

Information regarding the pension plans as of December 31, 2017 is found in Note 6 to the general purpose financial statements of the City for the fiscal year ended December 31, 2017, which are contained in the CAFR. The CAFR can be viewed in its entirety, including the accountants' report, notes to the financial statements and required supplementary information on the City's website at www.littlerock.gov.

DEBT SERVICE REQUIREMENTS

The following tables show amounts required to pay scheduled principal and interest on the Series 2013 Bonds and the Series 2018 Bonds during each year ending April 1. However, the City expects to retire the Series 2013 Bonds and the Series 2018 Bonds earlier than scheduled from Surplus Tax Collections through the use of redemptions of the Series 2013 Bonds and the Series 2018 Bonds. See **THE SERIES 2018 BONDS**, Redemption and **PROJECTED MANDATORY REDEMPTION**.

The following table shows amounts required to pay scheduled principal and interest on the Series 2018 Bonds during each year ending April 1:

<u>Year (April 1)</u>	<u>Series 2018 Bond Principal*</u>	<u>Series 2018 Bond Interest</u>	<u>Total Series 2018 Debt Service</u>
2019	\$ 3,320,000.00		
2020	2,385,000.00		
2021	2,505,000.00		
2022	4,415,000.00		
2023	5,295,000.00		
2024	5,455,000.00		
2025	5,600,000.00		
2026	5,745,000.00		
2027	5,865,000.00		
2028	3,200,000.00		
Totals	\$43,785,000.00		

The following table shows amounts required to pay scheduled principal and interest on the Series 2013 Bonds and the Series 2018 Bonds during each year ending April 1:

<u>Year (April 1)</u>	<u>Series 2013 Bonds</u>	<u>Series 2018 Bonds</u>	<u>Total Debt Service</u>
2019	\$2,265,125.00		
2020	2,446,000.00		
2021	2,446,500.00		
2022	661,500.00		
2023			
2024			
2025			
2026			
2027			
2028			
Totals	\$7,819,125.00		

* Preliminary; subject to change.

DEBT SERVICE COVERAGE

Based on an estimated collection rate of 96% of the Bond Tax levied on the taxable property within the City, the Special Tax Collections will provide coverage in excess of annual principal and interest requirements for the Series 2013 Bonds and the Series 2018 as shown below. (For information concerning the historical rate of tax collections, see **FINANCIAL INFORMATION, Collection of Taxes**. See also **SUMMARY OF ARKANSAS AD VALOREM TAX PROCEDURES, Property Tax Relief Trust Fund**, herein.) The figures set forth below are estimates only, and there can be no assurance that the collection and the collection rate will equal the estimated amounts set forth hereinbelow.

Estimated Special Tax Collections At 100% Collection	\$12,887,035
County Treasurer's Commission at 2%	(257,741)
Most recent ten years Average Total Collection Rate	96%
Estimated Special Tax Collections Available for Debt Service	12,124,123
Maximum Annual Debt Service for Series 2013 Bonds and the Series 2018 Bonds ⁽¹⁾	6,061,752
Coverage Ratio	2.00x

⁽¹⁾ Based on a bond year ending April 1; assuming an average coupon rate of 2.66% for the Series 2018 Bonds.

PROJECTED MANDATORY REDEMPTION

The table under the caption **DEBT SERVICE SCHEDULE** does not reflect possible redemptions from Surplus Tax Collections. Surplus Tax Collections are Special Tax Collections in excess of the amounts needed to pay current requirements of interest and principal of the Series 2013 Bonds and the Series 2018 Bonds and any Additional Parity Bonds and Trustee's fees and the interest due on the next interest payment date for the Series 2013 Bonds and the Series 2018 Bonds and any Additional Parity Bonds. The City shall apply Surplus Tax Collections to the redemption of the Series 2013 Bonds and the Series 2018 Bonds pro rata between such bonds based on the then outstanding principal amount of each. Surplus Tax Collections will be used to redeem the Series 2013 Bonds and the Series 2018 Bonds commencing on April 1, 2019 and on April 1 annually thereafter. Based on a collection rate of 96%, the estimated Special Tax Collections will be approximately \$12,124,123 per year. If such estimates are correct and there is no increase or decrease in such collections or collection rate and scheduled debt service on the Series 2013 Bonds and the Series 2018 Bonds as shown at the caption **DEBT SERVICE REQUIREMENTS** herein, the Series 2013 Bonds and the Series 2018 Bonds would be redeemed prior to maturity as shown below. There can be no assurance that these estimates will be sufficient to provide for the projected redemptions set forth.

Year (April 1)	Scheduled Series 2013 Bond Principal*	Series 2013 Bonds Redeemed Prior to Maturity*	Scheduled Series 2018 Bond Principal*	Series 2018 Bonds Redeemed Prior to Maturity*	Total Principal Retired*
2019	\$2,085,000	\$750,000	\$3,320,000	\$4,565,000	\$10,720,000
2020	2,190,000	690,000	2,385,000	5,695,000	10,960,000
2021	1,490,000		2,505,000	7,340,000	11,335,000
2022			4,415,000	7,305,000	11,720,000
2023			5,295,000	960,000	6,255,000

* Preliminary; subject to change.

SUMMARY OF ARKANSAS AD VALOREM TAX PROCEDURES

The following is a summary of the principal provisions of the Arkansas Constitution and statutes relating to the assessment and collection of real and personal property taxes in Arkansas.

Taxable Property. In general, the Arkansas Constitution subjects all real estate property situated in the State to ad valorem taxation except the following: (1) public property used exclusively for public purposes, (2) churches used as such, (3) cemeteries used exclusively as such, (4) school buildings and apparatus, (5) libraries and grounds used exclusively for school purposes, (6) buildings, grounds, and materials used exclusively for public charity, and (7) items of household furniture and furnishings, clothing, appliances, and other personal property used within the home, if not held for sale, rental, or other commercial or professional use.

The General Assembly may exempt one or more classes of intangible personal property from taxation, tax intangible property at a lower rate, or provide for taxation of intangible personal property on a basis other than ad valorem. Under statutes presently in force, intangible personal property is not subject to ad valorem taxation. Amendment 89 also authorizes the General Assembly to exempt from taxation the first \$20,000 of value of a homestead of a taxpayer 65 years of age or older.

The Arkansas Constitution provides exemptions from ad valorem taxation, with limitations, for textile mills and new manufacturing establishments.

Tangible personal property in transit through the State is not subject to ad valorem taxation. This exemption has been interpreted to include raw materials shipped to Arkansas for inclusion in tangible personal property manufactured, processed, or refined here for shipment outside the State.

Assessment. Each Arkansas county has a county assessor, elected for a four-year term of office. Every year between the first Monday in January and July 1 the assessor is required to assess the value of all real property located in the county and has the authority to list, value and assess all tangible personal property subject to ad valorem taxation located in the county. Under certain circumstances, a professional appraiser or appraisers may be employed for the purpose of assessing all or any portion of the property located in the county.

It is the duty of the assessor to determine and to keep current a correct and pertinent description of each tract of real property in the county and to place a value on each such tract, including any improvements. The assessor must then file with the county clerk, by July 31, an assessment report of all tangible personal property within the county and, by the third Monday of August, of all real property within the county. The assessor must also, by the third Monday of August of each year, report to the Public Service Commission ("PSC") the total assessment of real and tangible personal property in the county and the kind, character, number, and value of property assessed for taxation in the county.

The owner of every vehicle subject to registration in the state must assess the vehicle with the county tax assessor. County tax assessors and collectors are required to forward information identifying vehicles which have been assessed within the time frame required by law and vehicles for which the owners have paid personal property taxes within the time frame required by law to the Arkansas Department of Finance and Administration.

Any property owner may appeal an assessment made by the assessor to the county equalization board, which has the authority to increase or decrease such assessment. From a decision by the board, a property owner or the assessor may appeal to the county court.

Upon complaint made to the Assessment Coordination Division (the “ACD”), a division of the PSC, by the county judge, county assessor, or county equalization board, or upon the ACD’s own investigation and motion, and a summary hearing, the ACD may, in its discretion, order a reassessment of all or any part of the taxable property in any county, to be made by the county assessor or by a person or persons to be recommended by the county judge and appointed by the ACD.

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

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

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

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

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

(b) If a homestead is purchased or constructed on or after January 1, 2001 by a disabled person or by a person over age 65, then that parcel will be assessed based on the lower of the assessed value as of the date of purchase (or construction) or a later assessed value. If a person is disabled or is at least 65 years of age and owns a homestead on January 1, 2001, then the homestead will be assessed based on the lower of the assessed value on January 1, 2001 or a

later assessed value. When a person becomes disabled or reaches age 65 on or after January 1, 2001, that person's homestead should thereafter be assessed based on the lower of the assessed value on the person's 65th birthday, on the date the person becomes disabled or a later assessed value. This subsection (b) does not apply to substantial improvements to real property. For real property subject to subsection (c) below, the applicable date in this subsection (b), in lieu of January 1, 2001, is January 1 of the year following the completion of the adjustments to assessed value required in subsection (c).

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

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

Pulaski County completed its most recent reassessment in 2017. Based on current growth rates, Pulaski County is required to conduct a county-wide reappraisal at least once every five years.

Valuation. Residential property used solely as the principal place of residence by the owner is assessed according to its value as a residence; agricultural land, pasture land, and timber land is assessed according to the productivity of its soil; and residential and commercial land that is vacant is assessed according to the value of its typical use. All other taxable property is assessed according to its current market value, and the General Assembly may establish the methods and procedures for valuation of such property, as long as they are equal and uniform throughout the State.

Assessed value is an amount equal to 20 percent of market value, and the levied millage is applied against the assessed value to determine the tax owed.

Millage Rollback. Amendment 59 to the Arkansas Constitution, as implemented by Act 848 of 1981, as amended (the "Amendment 59 Implementation Act"), directed the General Assembly to limit the effects of any comprehensive county-wide reassessment by providing for adjustment or rollback of millage rates in certain circumstances.

The Amendment 59 Implementation Act provides that the computation of millage rollbacks is to be made separately for each tax source or millage levy (in the case of school districts this requires separate computations for operation and maintenance millage and debt service millage), with the new tax rate for each millage levy to be rounded up to the nearest 1/10 mill. In the case of debt service millage, the tax rate as so adjusted will continue as the continuing annual tax rate until retirement of the bonds to which the tax is pledged. The adjusted rate for operation and maintenance millage is subject to change at each annual school election in accordance with law.

The term "base year" means the year in which a county-wide reassessment is completed and adjusted millage rates first extended for collection in the following year. When a county-wide reappraisal of property for ad valorem tax purposes is conducted over a period of two or more years, the taxes are not assessed on the basis of the reappraised value of the property until all tax property in the county has been reappraised, and the adjustment or rollback of millage is applicable in the year of completion.

Rollback procedures differ for (a) real property, (b) personal property, and (c) all property of public utilities and regulated carriers.

Real Property. If county-wide reassessment results in an increase in value of taxable property in any taxing unit (county, municipality, school district, or community college district) in the base year of ten percent or more over the previous year, then a millage rollback occurs. The millage rollback is designed to assure that taxpayers, as a group, in each taxing unit will pay taxes no greater than ten percent above the taxes paid during the previous year to such taxing unit.

Millage rates applicable to real property are rolled back only one time following any comprehensive, county-wide reassessment.

Personal Property. A separate millage rate is applied to reassessed personal property in order to produce revenues equal to the revenues received from personal property taxes in the base year. As the assessed value of taxable personal property increases, the separate personal property millage rate is reduced annually in order to maintain revenues equal to those for the base year. The tax rate for personal property will increase (at least to the level in effect before the rollback), however, in the event the personal property assessment declines so that a tax rate increase would be necessary to produce revenues equivalent to the base year revenues from personal property. When the revenues from personal property taxes computed on the basis of the current (real property) millage rates equal or exceed revenues from personal property taxes for the base year, the current millage rates applicable to real property will also apply to taxable personal property.

The Arkansas Supreme Court has held that a voted increase in the tax rate is not applicable to personal property prior to equalization.

Property of Public Utility and Regulated Carriers. During the first five years in which taxes are levied on taxable real and personal property or public utilities and regulated carriers as reassessed, the taxes paid equal the greater of (a) the amount of taxes paid on such property in the base year (less adjustments for property disposed of or reductions in the assessed valuation of such property) and (b) the amount of taxes due on such property at millage rates levied in the current year. If in any of the sixth through tenth years after the base year the base year taxes of a public utility or regulated carrier exceed the current year taxes, then the amount of the taxes are decreased in each year by 20 percent of the difference until, in the tenth year and thereafter, the taxpayer pays taxes calculated with current millage rates only. If in any of the first ten years after the base year the current year taxes equal or exceed the base year taxes, the public utility or regulated carrier thereafter pays the current year taxes.

In implementation of Amendment 59, the Amendment 59 Implementation Act provides that if the provisions in the Amendment and the Act relating to the taxing of public utilities and regulated carriers, or any class thereof, are held to be contrary to the Constitution or statutes of the United States or of the State of Arkansas, all utilities and all classes of carriers shall receive the same treatment provided or required under the court order for a particular type of carrier or utility "if deemed necessary to promote equity between similar utilities or class of carriers." Certain regulated carriers (railroads) have successfully challenged Amendment 59, as applied to them, as contrary to federal statutes. The effect of this challenge by the railroads on utilities and on other classes of carriers cannot be predicted at this time.

Bond Protection. As directed by Amendment 59, the Amendment 59 Implementation Act provides that any millage rates rolled back or adjusted pursuant to the Amendment 59 Implementation Act shall be rolled back or adjusted only to a level which will produce at least a level of income sufficient to meet the current requirements of all principal, interest, paying agent fees, reserves, and other requirements of the bond indenture.

Amendment 78. Amendment 78 to the Arkansas Constitution, approved at the 2000 General Election and effective January 1, 2001, authorized cities and counties to form redevelopment districts for the purpose of financing redevelopment projects. The ad valorem taxes levied by any taxing unit (including municipalities) on property in a redevelopment district may be divided so that all or part of the ad valorem taxes levied against any increase in the assessed value of property in the area after approval of the redevelopment plan for the district shall be used to pay any indebtedness incurred for the redevelopment project. Debt service millage approved by voters prior to January 1, 2001, and debt service millage existing at the time of the creation of the redevelopment district are excluded. The increase in total millage rate in the redevelopment district occurring after the creation of such redevelopment district is excluded if such additional millage is pledged for repayment of a specific bond issue.

Amendment 79. Amendment 79 to the Arkansas Constitution, approved at the 2000 General Election and effective January 1, 2001, generally limits increases in the assessed value of taxable real property and requires that such increases be effected over time. The extent of the limitation depends upon whether the property is a taxpayer's homestead used as the taxpayer's principal place of residence.

General Adjustments. With respect to the first assessment following a county-wide reappraisal, Amendment 79 limits any increase in the assessed value of the non-homestead real property to ten percent of the previous year's assessed value. For each year thereafter, the assessed value of such property will be increased by an additional ten percent of the assessed value for the year preceding the first assessment following reappraisal, but shall not exceed the assessed value determined by reappraisal. If the property is taxpayer's homestead, any increase in the assessed value following reappraisal is limited to five percent of the previous year's assessed value. For each year thereafter, the assessed value of such property will increase by an additional five percent of the assessed value for the year prior to the first assessment following reappraisal (not to exceed the value determined by reappraisal).

The adjustment described above will not apply to newly discovered real property, new construction, or substantial improvements to real property.

Property of Public Utilities and Regulated Carriers. Under Amendment 79, any annual increase in the value of utility and carrier real property is limited to ten percent of the assessed value for the previous year.

Special Provisions for Those 65 or Over and Disabled Persons. Amendment 79 allows persons who reach 65 years of age or who become disabled on or after January 1, 2001 to pay ad valorem taxes based on lower assessed values of homestead property (but not substantial improvements to such property) after reaching 65 or after becoming disabled.

Homestead Exemption. Amendment 79 provides for an annual state credit against ad valorem property tax on a homestead in an amount not less than \$300 (but not below zero). The General Assembly implemented this homestead exemption with the passage of Act 1544 of 2001, which provides that, effective with the assessment year 2000 and thereafter, the amount of real property taxes assessed on the homestead of each property owner is reduced by \$300. The homestead exemption has since been increased to \$350. Property owners have until October 31 in each year to certify that their property is subject to this homestead exemption, notwithstanding that taxes are due and payable by October 15.

Property Tax Relief Trust Fund. Following the passage of Amendment 79, the Arkansas General Assembly increased the state sales and use tax from 4.625% to 5.125%. The proceeds of this one half of one percent (0.5%) increase are paid into the State's Property Tax Relief Trust Fund ("PTRTF"). Act 1544 of 2001, implementing the homestead exemption, also provided for

annual distributions to each county treasurer from the PTRTF in accordance with the county's proportionate share of the total statewide property tax reduction for that calendar year resulting from the \$350 homestead exemption. County treasurers, in turn, are required to distribute these payments to the taxing entities in the county in proportion to each taxing entity's millage rate.

In addition to the proportionate distribution described in the preceding paragraph, for each of the State's fiscal years 2017 and 2018, an additional \$2 million was appropriated to be payable from the PTRTF to cities and counties, provided such amounts were remaining in the PTRTF after the proportional distributions made pursuant to Act 1544 of 2001.

According to the State Treasurer's Office, the amounts paid out of PTRTF in 2008 through 2017, are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$200,543,484.77
2009	236,331,380.29
2010	203,402,254.95
2011	213,564,885.52
2012	218,502,772.33
2013	221,199,275.60
2014	231,930,975.09
2015	234,220,926.36
2016	243,948,710.39
2017	249,017,824.47
2018	257,117,847.77

Bond Protection. Amendment 79 requires the General Assembly to provide procedures for adjusting ad valorem tax rates in such a way that will not interfere with the payment of bonded indebtedness secured by such taxes or millage. Millage rates for real, personal, and public utility and regulated carrier property shall be equal unless adjustment of personal property rates is necessary to pay bonded indebtedness in accordance with an indenture agreement.

Other. Amendment 79 directs the General Assembly to prescribe the method for reassessing real property and to establish the frequency of reassessment, which should occur at least once every five years. Millage rollback will not be affected except to the extent that the adjustments under Amendment 79 are made prior to rollback.

Collection. The sheriff of each county serves as collector of property taxes (except as to certain counties, for which the legislature has separated the offices of the sheriff and tax collector). The City is located in Pulaski County, which has a separate collector. All taxes levied are collected in the calendar year immediately following the year in which levied, except that personal property taxes levied on motor vehicles owned by individuals are collected in the calendar year in which levied.

Property taxes are payable at any time from March 1 through October 15 of each year and are payable in installments at the option of the taxpayer.

Delinquent Taxes. All taxes unpaid after October 15 of any year are considered to be delinquent and delinquent taxpayers are subject to a penalty of ten percent of the taxes due. It is the duty of the tax collector to diligently collect all delinquent personal property taxes, and in the performance of these duties the collector is empowered to distrain and sell at public auction personal property for the purpose of enforcing collection of personal property taxes and to garnish the wages or other money owed to the delinquent taxpayer.

If real property taxes remain unpaid for two years following the date the taxes were due, the land is certified to the Commissioner of State Lands for collection or sale. In the absence of any bid in an amount at least equal to the assessed value of the land, the Commissioner may negotiate a sale. Real property may be redeemed by the taxpayer at a price equal to the taxes due, ten percent interest for each year of delinquency, a ten percent penalty for each year of delinquency, and costs. The right of redemption must be exercised within 30 days after real property is sold.

Remittance of Tax Collections. The county collector is required by law to pay over to the county treasurer, by the fifth day of each month, all funds in the collector's hands belonging to the county or to any municipality or school district located in the county. Upon a certificate of the county clerk, which shall be issued on or before the thirtieth day of each month, the county treasurer is required to transfer to the various taxing bodies, 90 percent of all funds received by the treasurer from the county collector. Upon final settlement, adjustments are made and the balance is distributed upon order of the county court approving the final settlement. Because of administrative difficulties, it is generally assumed that no substantial portion of annual tax collections is available to the taxing bodies until December of each year.

Miscellaneous. If the assessed value of all classes of taxable property located in the City remains at the same level, without increase or decrease, and the total tax rates applicable to all taxable property in the City remain constant, the annual revenues derived from taxable property will be the same in each year. This would be true of annual revenues available for debt service on the Series 2013 Bond and the Series 2018 Bonds, as well as other annual revenues of the City (subject in the case of such other revenues to adjustments in the tax rate).

In recent years, initiatives which would reduce or abolish property taxes collected pursuant to the Arkansas Constitution have been approved for submission to the voters of Arkansas; however, to date, no initiatives have been approved for submission to the voters at the next general election.

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 2013 Bonds and the Series 2018 Bonds.** The City will covenant as set forth below in the Authorizing Ordinance.

The Bond Fund. (a) All Special Tax Collections shall be deposited by the City each month into a special fund of the City in the Trustee which is created by the Authorizing Ordinance and designated "Limited Tax General Obligation Capital Improvement 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. Moneys in the Bond Fund shall be used in the following order of priority as and when necessary:

- (1) to pay the interest on the Bonds when due; and
- (2) to pay the principal of the Bonds when due at maturity or upon mandatory sinking fund redemption; and
- (3) to pay the Trustee's fees and expenses and other administrative charges when due; and
- (4) to make any arbitrage rebate payment due under Section 148(f) of the Code; and
- (5) to redeem Bonds prior to maturity.

(b) For purposes of redeeming the Bonds from Surplus Tax Collections, the Trustee shall, on or about February 20 of each year, calculate the amount of Surplus Tax Collections and deposit such amount into a Special Redemption Account into which shall be deposited all funds in the Bond Fund available for the redemption of the Bonds arising from Surplus Tax Collections. Moneys in the Special Redemption Account shall be used to redeem the Bonds prior to maturity.

(c) When the moneys in the Bond Fund shall be and remain sufficient to pay (1) the principal of all the Bonds then outstanding, (2) interest on the Bonds until the next interest payment date, (3) the Trustee's fees and expenses and other administrative charges and (4) 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 Special Tax Collections 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.

Investments. (a) Moneys held for the credit of the 2018 Construction Funds may be invested and reinvested in Permitted Investments (as 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. 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.

(b) Moneys held for the credit of the Bond Fund shall be invested and reinvested in Permitted Investments, which will mature, or which will be subject to redemption by the holder thereof at the option of the holder, not later than the date or dates on which the money shall be required for the payment of the principal of and interest on the Bonds when due. The Trustee shall so invest and reinvest pursuant to the direction of the City and in the Trustee's discretion in the absence of any direct instructions from the City.

(c) Obligations purchased as an investment of any fund or account shall be deemed at all times a part of such fund. Any profit or loss realized on investments of moneys in any fund shall be charged to said fund.

(d) "Permitted Investments" means any of the securities that are at the time legal for investment of City funds pursuant to Resolution No. 12,520 of the City. "Permitted Investments" include:

1. U.S. Treasury obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;
2. Certificates of deposit and other evidences of deposit at financial institutions, and commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, D-1, or higher) by a nationally recognized rating agency;
3. Investment-grade obligations of state, provincial, and local governments and public authorities;
4. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
5. Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

The City's investment policy prohibits investments in derivative products, common stocks, and long-term bonds used for speculation.

Certain Covenants. The City covenants that:

(a) It will not take, suffer or permit any action which may cause the interest payable on the Series 2018 Bonds to be included in gross income for federal income tax purposes, including any use of proceeds of the sale of the Series 2018 Bonds or Special Tax Collections directly or indirectly in such manner as to cause the Series 2018 Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code.

(b) It will not use or permit the use of the Improvements or the proceeds of the Series 2018 Bonds in such manner as to cause the Series 2018 Bonds to be private activity bonds within the meaning of Section 141 of the Code.

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

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

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

(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 in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trust of the Authorizing Ordinance or to any other remedy thereunder. No one or more owners of the Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Authorizing Ordinance, or to enforce any right thereunder except in the manner therein provided, that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit of all owners of the outstanding Bonds, and any individual rights of action or other right given to one or more of such owners by law are restricted by the Authorizing Ordinance to the rights and remedies therein detailed.

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

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

(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 in principal amount of the Bonds then outstanding shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted under the provision of the Authorizing Ordinance or before the completion of the enforcement of any other remedy, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

Defeasance. Any Bond shall be deemed to be paid within the meaning of the Authorizing Ordinance when payment of the principal of and interest on such Bond (whether at maturity or upon redemption as provided herein, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (1) cash sufficient to make such payment and/or (2) non-callable Government Securities (provided that such deposit will not cause any of the Bonds issued as tax-exempt bonds for federal income tax purposes to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code), maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

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

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

The Trustee. The Trustee shall be responsible for the exercise of good faith and ordinary prudence in the execution of its trusts and duties. The recitals in the Authorizing Ordinance and in the Bonds are the recitals of the City and not of the Trustee. The Trustee shall not be required to take any action unless it shall have been requested to do so in writing by the owners of not less than 10% in principal amount of Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by 60 days' notice in writing to the City and the owners of the Bonds, and the majority in

principal amount of the owners of the outstanding Bonds or the City, so long as it is not in default under the Authorizing Ordinance, may at any time, with or without cause, remove the Trustee. In the event of a vacancy in the office of Trustee either by resignation or by removal, the City shall forthwith designate a new Trustee. The Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts and duties imposed upon it by the Authorizing Ordinance, but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective owners of the Bonds agree. Such written acceptance shall be filed with the City, and a copy thereof shall be placed in the bond transcript. Any successor Trustee shall have all the powers herein granted to the original Trustee.

Supplemental Ordinances. The terms of the Authorizing Ordinance constitute a contract between the City and the owners of the Bonds and no variation or change in the undertaking set forth in the Authorizing Ordinance shall be made while any of the Bonds are outstanding, except as hereinafter set forth. The owners of not less than 75% in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, to consent to and approve the adoption by the City of a supplemental ordinance as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Authorizing Ordinance or in any supplemental ordinance. The Trustee may consent to any change without the consent of 75% of the owners of the aggregate principal amount of Bonds outstanding (i) that the Trustee determines is not to the material prejudice of the owners of the Bonds, (ii) in order to cure any ambiguity or formal defect or omission in the Authorizing Ordinance or any amendment thereto or (iii) in connection with the issuance of Additional Parity Bonds, provided, however, that nothing therein contained shall permit or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond issued thereunder, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) the creation of a pledge of Special Tax Collections superior to the pledge created by the Authorizing Ordinance, or (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

CONTINUING DISCLOSURE AGREEMENT

During the past five years, the City has been obligated to comply with continuing disclosure agreements involving approximately 28 bond issues. Almost all such agreements require the City to file annual reports with the trustees, as the dissemination agents. The dissemination agents are required to file the annual reports with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system (“EMMA”) within various time periods set by those agreements. The following summarizes a non-exhaustive list of the City's compliance with its continuing disclosure agreements during the past five years.

As part of the annual reports, the City was obligated to file annual audited financial statements. For 13 of the bond issues, the City was required to file the audit of the general purpose financial statements of the City. The City was obligated to file the audited financial statements of its airport commission for two of the City's airport revenue bond issues. The City was obligated to file audited financial statements of the sewer system, which is now identified as a water reclamation system, for 11 of the City's sewer revenue bond issues. The City was obligated to file the audited financial statements of its advertising and promotion commission for one bond issue. The City was obligated to file the audited financial statements of the port authority for one bond issue. During the past five years, the City filed all audited financial statements on EMMA in a timely manner

All of the continuing disclosure agreements require that certain supplemental financial and operating data be provided as part of the annual report. The supplemental data to be provided varies by the type of the bonds issued and how each is secured. During the past five years, the City provided all of the required supplemental data each year. In certain cases, however, the supplemental data was included in the audited financial statements that were filed as part of the annual report but was not

presented in the manner prescribed by the continuing disclosure agreements. In other cases, the format of the information contained in the annual report was not presented in the format prescribed by the continuing disclosure agreements. As of this date, supplemental data for all bond issues that are outstanding has been filed.

The continuing disclosure agreements also obligated the City to file a notice of the occurrence of any event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5). Included in the list of events are bond calls defeasances and rating changes. During the past five years, the City has failed to timely file several notices concerning mandatory redemption of its bonds from surplus tax collections, the defeasance of bonds and changes in the ratings of its bond insurers. Notices concerning the City's failure to timely file notices of such events were not filed on EMMA.

The City will enter into a Continuing Disclosure Agreement with the Trustee in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is executed and delivered by the City and the Trustee for the benefit of the Beneficial Owners of the Series 2018 Bonds and in order to assist the Underwriters in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

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

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

“Beneficial Owner” of a Series 2018 Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2018 Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

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

“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.

“Listed Events” shall mean any of the events listed hereunder.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the City's fiscal year (presently December 31), commencing with the report after the end of the 2018 fiscal year, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying

information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the Financial Statements (defined below) of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such Financial Statements shall be submitted within thirty (30) days after receipt thereof by the City. If the City's fiscal year changes, it shall give notice of such change in the manner as for a Listed Event.

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

(c) If the Trustee is unable to verify that an Annual Report (containing the information in (a) set forth in Content of Annual Reports, below) has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB.

Content of Annual Reports. The City's Annual Report will include (a) information of the type set forth under **FINANCIAL INFORMATION**, Assessed Valuation and Collection of Taxes for the latest calendar year and the preceding four calendar years, if available and (b) the annual financial statements of the general fund of the City, which (i) need not be audited in accordance with auditing standards generally accepted in the United States of America, (ii) shall be prepared using accounting principles prescribed by Arkansas Code Annotated Section 10-4-412, as it may be amended from time to time, or any successor statute and (iii) shall be audited in accordance with, and as required by, State law (the "Financial Statements").

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

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, 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. Series 2018 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 (a)8 above), the City shall promptly notify the Dissemination Agent (if other than the City) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) After the occurrence of a Listed Event (excluding an event described in (a)8 above), whether by notice from the Trustee or otherwise, the City shall file (or shall cause the Dissemination Agent to file), 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.emma.msrb.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 Trustee shall make the filing in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event.

Termination of Reporting Obligation. The City's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Series 2018 Bonds.

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

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

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in

law, or change in the identity, nature or status of an obligated person with respect to the Series 2018 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2018 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Series 2018 Bonds in the same manner as provided in the Authorizing Ordinance for amendments to the Authorizing Ordinance with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Trustee, materially impair the interests of the Beneficial Owners of the Series 2018 Bonds.

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

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

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

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

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

LEGAL MATTERS

Legal Proceedings. There is no litigation pending seeking to restrain or enjoin the Bond Tax or the issuance or delivery of the Series 2018 Bonds, or questioning or affecting the legality of the Bond Tax or the Series 2018 Bonds or the proceedings and authority under which the Series 2018 Bonds are to be issued, or questioning the right of the City to adopt the Authorizing Ordinance or to issue the Series 2018 Bonds or the levy of the Bond Tax and pledge of the Special Tax Collections by the City.

Legal Opinions. Legal matters incident to the authorization and issuance of the Series 2018 Bonds are subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel. Certain legal matters will be passed upon for the City by its counsel, Thomas M. Carpenter, Esq., City Attorney.

Tax Exemption. In the opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, under existing law the interest on the Series 2018 Bonds is exempt from all Arkansas state, county and municipal taxes.

In the opinion of Bond Counsel, interest on the Series 2018 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. 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 2018 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 2018 Bonds and the capital improvements financed by the Series 2018 Bonds. Failure to comply with certain of such requirements could cause the interest on the Series 2018 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2018 Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

Prospective purchasers of the Series 2018 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 2018 Bonds, (ii) interest on the Series 2018 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 2018 Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Series 2018 Bonds.

Prospective purchasers of the Series 2018 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 2018 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2018 Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

As shown on the cover page of the Official Statement, certain of the Series 2018 Bonds are being sold at an original issue discount (the "Discount Bonds"). The difference between the initial public offering prices, as set forth on the front cover page, of such Discount Bonds and their stated amounts

to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

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

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

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

As shown on the cover page of this Official Statement, certain of the Series 2018 Bonds are being sold at an original issue premium (the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of a Premium Bond callable prior to its maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of a Premium Bond should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2018 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent holders of the Series 2018 Bonds from realizing the full current benefit of the tax status of such interest. On December 20, 2017, Congress passed The Tax Cuts and Jobs Act (the "Tax Legislation"), which, for tax years beginning after December 31, 2017, among other things, significantly changes the income tax rates for individuals and corporations, modifies the current provisions relative to the federal alternative minimum tax on individuals and eliminates the federal alternative minimum tax for corporations. The President signed the Tax Legislation on December 22, 2017. The Tax Legislation or the introduction or enactment of any other legislative proposals or clarification of the Code or court decisions may affect, perhaps significantly, the market price for, or marketability of, the Series 2018 Bonds.

Prospective purchasers of the Series 2018 Bonds should consult their own tax advisors regarding any proposed or enacted federal or state tax legislation (including particularly, without limitation, the Tax Legislation), regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Series 2018 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.

MISCELLANEOUS

Underwriting. Under a Bond Purchase Agreement (the “Agreement”) entered into by and between the City, as issuer, and Stephens Inc., on behalf of itself and as representative of the other underwriters listed on the cover page of this Official Statement (the “Underwriters”), the Series 2018 Bonds are being purchased at a price of \$_____ (principal amount plus [net] original issue premium of \$_____ less Underwriters’ discount of \$_____). The Agreement provides that the Underwriters will purchase all of the Series 2018 Bonds if any are purchased. The obligation of the Underwriters to accept delivery of the Series 2018 Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the Series 2018 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 Underwriters intend to offer the Series 2018 Bonds to the public initially at the offering prices set forth on the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2018 Bonds to the public. The Underwriters may offer and sell Series 2018 Bonds to certain dealers (including dealers depositing Series 2018 Bonds into investment trusts) at prices lower than the public offering price.

Ratings. S&P Global Ratings (“S&P”) will assign its municipal bond rating of “AA” to the Series 2018 Bonds. Any explanation of such rating may only be obtained from S&P. Moody’s Investors Service (“Moody’s”) will assign its municipal bond rating of “Aa1” to the Series 2018 Bonds. Any explanation of such rating may only be obtained from Moody’s. Generally, rating agencies base their ratings upon information and materials supplied to them and on their own investigations, studies and assumptions. There is no assurance that such ratings, once assigned, will remain for any given period of time or that they will not be lowered or withdrawn entirely by the rating agencies if in their judgment circumstances so warrant. Any such downward change or withdrawal of the ratings assigned to the Series 2018 Bonds by S&P and Moody’s may have an adverse effect on the market price of the Series 2018 Bonds. The Underwriters and the City have undertaken no responsibility after issuance of the Series 2018 Bonds to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

Enforceability of Remedies. Rights of the registered owners of the Series 2018 Bonds and the enforceability of the remedies available under the Authorizing Ordinance may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Authorizing Ordinance resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors’ rights which are presently or may from time to time be in effect.

Information in Official Statement. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2018 Bonds.

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

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

CITY OF LITTLE ROCK, ARKANSAS

By _____
Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A

FORM OF BOND COUNSEL OPINION

_____, 2018

First Security Bank
Searcy, Arkansas, as Trustee

Re: \$_____ City of Little Rock, Arkansas Limited Tax General Obligation
Capital Improvement Bonds, Series 2018

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Little Rock, Arkansas (the "City") of \$_____ City of Little Rock, Arkansas Limited Tax General Obligation Capital Improvement Bonds, Series 2018 (the "Series 2018 Bonds"). The Series 2018 Bonds are being issued to finance the costs of capital improvements and pay expenses of authorizing and issuing the Series 2018 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. 20,735 of the City adopted on June 18, 2013 and Ordinance No. _____ of the City adopted on _____, 2018, authorizing the issuance of the Series 2018 Bonds (collectively, the "Authorizing 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 Series 2018 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 Series 2018 Bonds are secured by a pledge of collections of a continuing ad valorem tax of 3 mills on the dollar of the assessed value of taxable real and personal property in the City, subject to rollback as provided in Amendment No. 59 to the Arkansas Constitution, duly levied by the City under the authority of the Authorizing Legislation, including penalties and interest payable with respect thereto, and all payments received by the City from the State of Arkansas in lieu thereof under Amendment No. 79 to the Arkansas Constitution (collectively, "Special Tax Collections"). The pledge of Special Tax Collections in favor of the Series 2018 Bonds is on a parity with the pledge in favor of the City's Limited Tax General Obligation Capital Improvement Bonds, Series 2013. The Series 2018 Bonds are not secured by any lien on or security interest in any physical properties of the City.

3. The interest on the Series 2018 Bonds (including any original issue discount properly allocable thereto) is excludable from gross income for federal income purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. 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 Series 2018 Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. The City has covenanted in the Authorizing Ordinance to comply with all such requirements. Failure to comply with certain of such requirements could cause the interest on the Series 2018 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2018 Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2018 Bonds.

4. The Series 2018 Bonds and income thereon are exempt from all Arkansas state, county and municipal tax.

It is to be understood that the rights of the registered owners of the Series 2018 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,

FRIDAY, ELDREDGE & CLARK, LLP