

NEW ISSUE

In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excluded from gross income for federal income tax purposes, subject to the condition that the County comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Bonds (and the interest on the Bonds is exempt from State of Arkansas income taxes, the Bonds are exempt from property taxation in the State of Arkansas and the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code). See LEGAL MATTERS, Tax Exemption-Opinion of Bond Counsel.

\$2,850,000
WASHINGTON COUNTY, ARKANSAS
CAPITAL IMPROVEMENT REVENUE BONDS
(JUVENILE DETENTION CENTER PROJECT)
SERIES 1999

Dated: July 1, 1999

Due: August 1, as shown below

The Bonds will not be general obligations of Washington County, Arkansas (the "County") but will be special obligations, secured by a pledge of revenues derived by the County from certain fines and criminal court costs described herein. The Bonds shall never give rise to a charge against the County's general credit or taxing power and no funds derived from the County's taxes are pledged to pay the Bonds. See **THE BONDS, Security**.

Investment in the Bonds involves certain risks. See **RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS**.

Interest on the Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2000, by check or draft of the Trustee to each registered owner thereof as of the applicable record date at his address as shown on the bond registration books maintained by the Trustee. The Bonds mature (on August 1 of each year), bear interest and are priced to yield as follows:

MATURITY SCHEDULE
\$1,665,000 Series Bonds

<u>YEAR</u>	<u>AMOUNT</u>	<u>RATE(%)</u>	<u>YIELD(%)</u>	<u>YEAR</u>	<u>AMOUNT</u>	<u>RATE(%)</u>	<u>YIELD(%)</u>
2000	\$125,000	4.00	4.00	2006	\$175,000	4.70	4.70
2001	145,000	4.25	4.25	2007	185,000	4.80	4.80
2002	150,000	4.35	4.35	2008	195,000	4.90	4.90
2003	155,000	4.40	4.40	2009	205,000	5.00	5.00
2004	160,000	4.50	4.50	2010	215,000	5.10	5.10
2005	170,000	4.60	4.60				

\$970,000 5.20% Term Bonds Due August 1, 2014 to Yield 5.30%
(Plus accrued interest from July 1, 1999)

The Bonds are offered when, as and if issued and received by the Underwriter named below, subject to approval as to legality by Friday, Eldredge & Clark, Bond Counsel, and subject to satisfaction of certain other conditions.

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

Dated: July 5, 1999.

CREWS & ASSOCIATES, INC.

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

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

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OFFICIAL STATEMENT

\$2,850,000
WASHINGTON COUNTY, ARKANSAS
CAPITAL IMPROVEMENT REVENUE BONDS
(JUVENILE DETENTION CENTER PROJECT)
SERIES 1999

INTRODUCTION TO OFFICIAL STATEMENT

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

This Official Statement is provided to furnish certain information in connection with the issuance by Washington County, Arkansas (the "County") of its Capital Improvement Revenue Bonds (Juvenile Detention Center Project), Series 1999, dated July 1, 1999, in the aggregate principal amount of \$2,850,000 (the "Bonds"). The Bonds are being issued to finance a portion of the cost of acquiring, constructing and equipping a juvenile detention center for the County (the "Project") and to pay expenses of issuing the Bonds. See **THE BONDS, Purposes for Bonds**.

The County is a political subdivision organized under the laws of the State of Arkansas (the "State") located in northwestern Arkansas. The County is authorized and empowered under the laws of the State, including particularly Title Chapter 164, Subchapter 4 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), to issue revenue bonds and to expend the proceeds thereof for the intended purposes. See **THE COUNTY**.

The Bonds are not general obligations of the County, but are special obligations secured solely by a pledge of the Pledged Revenues (as defined herein). See **THE BONDS, Security**. Investment in the Bonds involves certain risks. See **RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS**. The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, particularly the Authorizing Legislation, and Ordinance No. 99-28, adopted June 28, 1999 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or integral multiple thereof. Interest is payable February 1, 2000, and semiannually thereafter on each February 1 and August 1. Principal is payable at the principal office of First Security Bank, Searcy, Arkansas, as trustee and paying agent (the "Trustee"). Interest is payable by check mailed by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS, Generally**.

This Official Statement sets forth for consideration by each investor certain risk factors and other investment considerations that each investor should consider prior to purchasing the Bonds. See **RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS** herein.

The Bonds are subject to extraordinary redemption from proceeds of the Bonds not necessary for the purposes intended and are subject to optional redemption on and after August 1, 2004. The Bonds maturing on August 1, 2014 are subject to mandatory sinking fund redemption prior to maturity as

described herein. The Trustee shall give at least thirty (30) days notice of redemption and shall redeem Bonds in inverse order of maturity (and by lot within a maturity) in such manner as the Trustee may determine. See **THE BONDS, Redemption**.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (iii) with respect to corporations, interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax, (iv) interest on the Bonds is exempt from State income tax, (v) the Bonds are not subject to property taxes in the State, and (vi) the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"), and certain financial institutions are allowed a deduction of 80% of that portion of their interest expense allocable to interest on the Bonds. See **LEGAL MATTERS, Tax Exemption**.

It is expected that the Bonds will be available for delivery on or about July 30, 1999, through the facilities of the Depository Trust Company, in New York, New York.

The County and the Trustee have entered into a Limited Continuing Disclosure Agreement in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Limited Continuing Disclosure Agreement"). See **LIMITED 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 Limited Continuing Disclosure Agreement summarized herein are available upon request from Crews & Associates, Inc., 124 West Capital Avenue, Little Rock, Arkansas 72201, Attention: Public Finance.

THE BONDS

Generally. The Bonds shall be dated, mature and bear interest and interest is payable on the Bonds as set forth on the cover page hereof. The Bonds are issuable in the form of registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Authorizing Ordinance. In the event any Bond is mutilated, lost or destroyed, the County shall, if not then prohibited by law, execute and the Trustee may authenticate a new Bond in accordance with the provisions therefor in the Authorizing Ordinance.

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

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

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

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

Redemption. The Bonds shall be subject to optional, extraordinary and mandatory sinking fund redemption as follows:

(1) Optional Redemption. The Bonds are subject to redemption at the option of the County, from funds from any source, in inverse order of maturity (Bonds within a maturity to be selected by lot in such manner as the Trustee may determine) in whole at any time or in part on any interest payment date on and after August 1, 2004, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

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

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on August 1, 2014 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on August 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 August 1, 2014

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2011	\$225,000	2013	\$250,000
2012	235,000	2014(maturity)	260,000

The provisions for mandatory sinking fund redemption of the Bonds are subject to the provisions of the Authorizing Ordinance which permit the County to receive credit for Bonds previously redeemed or for Bonds acquired by the County and surrendered to the Trustee.

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

Purposes for Bonds. The purposes for issuing the Bonds are to finance a portion of the costs of the Project and to pay expenses of issuing the Bonds. The Project consists of an approximately 18,000 square foot detention center with approximately 36 beds to house juveniles. The architect for the Project is Southbuild Inc. Construction of the Project is expected to commence during the month of July 1999 and to be fully completed during the month of October 2000. The Project will be located on Clydesdale Drive off of Highway 71B South in Fayetteville, Arkansas.

The sources and uses of funds to finance the Project and to pay issuance costs are estimated by the County as follows:

SOURCES:

Principal Amount of Bonds	\$2,850,000
Estimated Construction Fund Earnings	71,890
Contribution by County*	<u>358,563</u>
Total Sources	\$3,280,453

USES:

Project Costs	\$3,200,000
Underwriter's Discount	35,747
Costs of Issuance	32,927
Original Issue Discount	9,962
Contingency	<u>1,817</u>
Total Uses	\$3,280,453

The payment of the Underwriter's discount and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. The County will deposit the construction proceeds of the Bonds (principal amount less Underwriter's discount and certain issuance costs) into a special fund designated "1999 Juvenile Detention Construction Fund" (the "Construction Fund"). A depository bank or banks selected by the County shall have custody and control of the Construction Fund. Moneys contained in the Construction Fund will be disbursed by the County solely in payment of Project costs, paying necessary expenses incidental thereto and paying expenses of issuing the Bonds. Disbursements shall be on the basis of checks which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. For a description of how the Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE AUTHORIZING ORDINANCE, Investments**.

*The County's contribution will be made either from its general funds or a future borrowing.

Security. The Bonds are not general obligations of the County but are special obligations, secured solely by a pledge of the Pledged Revenues. The Bonds shall never give rise to a charge against the County's general credit or taxing power and no funds derived from the County's taxes are pledged to pay the Bonds.

The Bonds are secured by all right, title and interest of the County in the Pledged Revenues and all right of the County to the collection and receipt of the Pledged Revenues. The Pledged Revenues consist of all revenues received by the County derived from the payment of fines (including fines in the nature of restitution) and court costs collected by the Chancery Court, Juvenile Division, and Circuit Court of the County in criminal matters, that remain after the payment of prior claims that the County is legally obligated to make from such funds (the "Prior Claims").

Any Pledged Revenues that remain after funds are set aside monthly for the payment of debt service on the Bonds may be used for expenditures related to the criminal justice system in the County. See **FINANCIAL INFORMATION** for details regarding the Pledged Revenues.

The Bonds are not secured by a lien or security interest in the Project or other physical properties and no debt service reserve has been created for the Bonds.

The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE** herein. The County may issue additional bonds on a parity of security with the Bonds. See **THE AUTHORIZING ORDINANCE, Additional Parity Bonds**.

THE COUNTY

Generally. The County is located in the Ozark Mountains in northwest Arkansas. The major cities in the County are Fayetteville (population 42,099) and Springdale (population 29,941). Fayetteville is the county seat of the County.

Population. Since 1960, the population trend for the County, according to the Bureau of Census, is as follows:

<u>Year</u>	<u>County Population</u>	<u>Average Annual Growth (%)</u>
1960	55,797	--
1970	77,370	3.3
1980	100,494	2.6
1990	113,409	1.2
1995	132,196	2.4
1997	136,974	1.8

Transportation. The County is served by two municipal airports located at Fayetteville and Springdale and by the Arkansas Missouri Railroad. Motor freight carriers, franchised interstate carriers and contract carriers make daily shipments from the County to major cities across the United States.

Government. The County is administered by a Quorum Court, which is comprised of an elected County Judge and thirteen (13) elected Justices of the Peace. Justices of the Peace are elected for

two-year terms. The County Judge, Mr. Jerry Hunton, is the chief executive officer of the County and his office is a full-time position. He is serving his first four-year term. The names and residences of the Justices of the Peace are as follows:

<u>Name</u>	<u>Residence</u>
Kurt Anderson	Springdale
Ron Clark	Springdale
Rocky Parsons	Springdale
David Ruff	Springdale
Jessie Bryant	Fayetteville
Aaron Bleidt	Fayetteville
Ken Kieklak	Fayetteville
Andrew Ziser	Fayetteville
Joyce Bunch	Elkins
Bill Yancey	Prairie Grove
Casey Copeland	Farmington
Earvel Fraley	Fayetteville
Frank Kelley	Fayetteville

Medical Facilities. The County is served by approximately 6 hospitals. Washington Regional Medical Center is the largest hospital in the County with 294 beds and serves the entire region. Northwest Arkansas Medical Center, Fayetteville City Hospital, VA Medical Center, Charter Behavioral Health System and Health Source Rehabilitation Center are the other principal medical care facilities in the County. There are a total of 747 hospital beds available in the County.

Education. Primary and secondary education for the County's inhabitants are provided by a public school system. The University of Arkansas at Fayetteville (approximate enrollment - 14,396) is the only post-secondary institution in the County. Various other universities and colleges, including John Brown University, Northwest Arkansas Community College, and Westark Community College, are located in areas surrounding the County.

The public school enrollment in the County for grades 1 through 12 for the years indicated below was as follows(1):

<u>Year</u>	<u>Enrollment</u>	<u>Average Annual Growth (%)</u>
1970	16,851	---
1980	17,725	0.5
1990	19,990	1.2
1997	23,930	2.6

Litigation. There is no material litigation pending or threatened against the County except as described in the following paragraph.

(1) Source: Arkansas State and County Economic Data. University of Arkansas at Little Rock, Arkansas Institute for Economic Advancement, College of Business Administration. December 1998.

The County is a defendant in a lawsuit styled Hicks, et. al. v. Washington County, et. al.. In this suit, on behalf of all property owners in the County, the plaintiffs allege that the County violated Amendment 59 to the Arkansas Constitution when it reassessed real property for property tax purposes in 1994-1997. The plaintiffs seek to return the real property assessments to their values in 1993 and seek between 3 to 5 million dollars of damages. The County is vigorously defending the case which is in the trial stage and a decision is expected in July. An appeal of the decision of the trial court will be made to the Arkansas Supreme Court in any event and a final decision will not be made for approximately two years. A separate suit has also been filed against the County by the same plaintiffs for 1998.

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

<u>Year</u>	<u>Deposits</u>	<u>Average Annual Growth (%)</u>
1970	\$ 124,771,000	---
1980	434,931,000	13.3
1990	942,481,000	8.0
1995	1,351,213,000	12.0
1997	1,663,527,000	11.0

Economy. The economy of the County is a mixture of industry, agriculture and commercial trade. Set forth below are the major employers (with 300 or more employees) in the County including their approximate number of employees and type of business:

<u>Company</u>	<u>Type of Business</u>	<u>Number of Employees</u>
University of Arkansas	Education	4,000
Tyson Foods	Processing	3,300
George's Inc.	Processing	2,500
Campbell Soup Co.	Manufacturing	1,000
Superior Industries	Manufacturing	1,000
Washington Regional Medical Center	Medical	1,000
Danaher Hand Tools	Manufacturing	1,000
Cargill, Inc.	Processing	500
Fayetteville School District	Education	500
Kawneer, Inc.	Manufacturing	350
City of Fayetteville	Government	300
Levi Strauss & Co.	Manufacturing	300
McClinton Anchor Company	Construction	300
Arkansas Western Gas	Utilities	300
Veterans Administration Medical Center	Medical	300
Wal-Mart Stores	Retail	300
Baldwin Piano & Organ Co.	Manufacturing	300
Washington County Government	Government	300
Allen Canning	Processing	300
Dillard Department Stores	Retail	300

(1) Source: Arkansas State and County Economic Data. University of Arkansas at Little Rock, Arkansas Institute for Economic Advancement, College of Business Administration. December 1998.

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

<u>Year</u>	<u>Total Personal Income</u>	<u>Average Annual Growth (%)</u>
1970	\$ 209,382,000	---
1980	729,524,000	13.3
1990	1,760,033,000	9.2
1996	2,756,125,000	7.8

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

<u>Year</u>	<u>Per Capita Personal Income</u>	<u>Average Annual Growth (%)</u>
1970	\$ 2,696	---
1980	7,246	10.4
1990	15,420	7.8
1996	20,428	4.8

Set forth below is a breakdown of retail sales in the County(1):

<u>Year</u>	<u>Retail Sales</u>	<u>Average Annual Growth (%)</u>
1977	\$ 322,172,000	---
1982	498,362,000	9.1
1987	750,240,000	8.5
1992	1,113,157,000	8.2
1997	1,766,881,000	NA

The annual average unemployment rates for the County and the State since 1993 are as follows according to the Arkansas Employment Security Division:

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>	
	<u>County</u>	<u>State</u>
1993	2.1	6.2
1994	2.5	5.3
1995	2.5	4.9
1996	3.0	5.4
1997	3.5	5.3
1998	3.7	5.5

(1) Source: Arkansas State and County Economic Data. University of Arkansas at Little Rock, Arkansas Institute for Economic Advancement, College of Business Administration. December 1998.

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

<u>Year</u>	<u>Total Assessed Valuation</u>	<u>Average Annual Growth (%)</u>
1970	\$ 94,450,000	---
1980	196,488,000	7.6
1990	650,101,000	12.7
1995	1,031,798,000	9.7
1996	1,151,011,000	11.6

Year 2000 Review. The County makes extensive use of computer systems and understands that its external third party service providers also make extensive use of computer systems. The County's management has initiated a review of all its major computer systems for year 2000 compliance (the year 2000 issue relates to computer systems designed to use two digits rather than four to define the applicable year). All of the County's computer systems will have been certified as being year 2000 compliant by July 1999. Therefore, the County does not expect to expend significant funds to remediate any year 2000 problems in its systems. The County has contacted its external third party service providers that provide material services regarding the effect of year 2000 on their service to the County. The results to date indicate that such third party service providers are either year 2000 compliant at this time or will be by September 30, 1999. Although the County is unaware of any adverse effect year 2000 may have on its ability to make debt service payments when due, unexpected year 2000 issues may still develop that cause such adverse effects.

RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS

THE FUNDAMENTAL CONCEPT THAT MUST BE UNDERSTOOD BY ANY PROSPECTIVE INVESTOR IS THAT THE BONDS ARE SECURED SOLELY BY A PLEDGE OF REVENUES GENERATED FROM CERTAIN FINES AND COURT COSTS. No taxing powers or tax revenues are pledged to the payment of the Bonds. In addition, there is no debt service reserve or mortgage lien on the Project or any other properties securing the Bonds. See **THE BONDS, Security.**

The following factors should be considered by a prospective purchaser of the Bonds in evaluating the County's ability to meet its obligations under the Bonds. This discussion of risk factors is not, and is not intended to be, exhaustive.

- 1 . No Covenant to Increase Amount of Fines and Court Costs. State statutes control the amount of fines and court costs that may be collected in criminal cases. In addition, the prosecution or jury may set the amount of fines (including fines of a restitutional nature in criminal cases). Therefore, the County has no control over the amounts that may be collected. Therefore, if the State reduces the amount of fines and court costs that can be collected, Pledged Revenues would decrease. In addition, if fines of a restitutional nature are decreased by juries and prosecutors, Pledged Revenues would decrease.

(1) Source: Arkansas State and County Economic Data. University of Arkansas at Little Rock, Arkansas Institute for Economic Advancement, College of Business Administration. December 1998.

2. Decreased Utilization of Juvenile and Criminal Courts. There is no assurance that there will be utilization of the Chancery Court, Juvenile Division, and Circuit Court in the County so as to produce sufficient Pledged Revenues to pay the Bonds. The number of offenses that are heard by the Chancery Court, Juvenile Division, and Circuit Court that result in fines and court costs could decline. The County has no control over the number of offences that are brought to prosecution.
3. Enforceability of Remedies. The remedies available to the Trustee or the owners of the Bonds upon an event of default under the Authorizing Ordinance are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, Title 11 of the United States Code (the federal bankruptcy code), the remedies provided in such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the subsequent delivery from time to time of the Bonds and the delivery of the Authorizing Ordinance will be qualified as to the enforceability of the various legal instruments by limitations imposed on bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

THE AUTHORIZING ORDINANCE

The Bonds are being issued and secured pursuant to the Authorizing Ordinance, to which reference may be had in its entirety for a detailed statement of its provisions, the description set forth below being a summary of certain provisions. The County will covenant as set forth below in the Authorizing Ordinance.

Imposition of Fines and Court Costs; General Covenants to Operate. (a) The fines and court costs currently imposed for collection by the Circuit Court and Chancery Court, Juvenile Division in the County in criminal cases, and the amounts thereof are ratified, confirmed and continued; subject to reduction by the State if mandated by State statute.

(b) The County agrees to continuously provide facilities for a court system for juvenile and criminal matters in accordance with State law while the Bonds are outstanding and to impose fines and court costs for offences heard in those courts in amounts in accordance with State law.

Funds and Disposition of Revenues. (a) All payments of fines (including fines in the nature of restitution) and court costs collected by the County through the Chancery Court, Juvenile Division, and Circuit Court in the County in criminal matters shall not be deposited into the General Fund of the County, but shall be deposited into a special account of the County created by the Authorizing Ordinance and designated as the Court Costs and Fine Fund. The Prior Claims shall first be paid from the Court Costs and Fine Fund. Moneys in the Court Costs and Fine Fund remaining after the monthly payment of Prior Claims are pledged to the payment of the Bonds.

(b) After paying the Prior Claims, there shall next be paid from the Court Costs and Fine Fund into a fund to be held by the Trustee that is created by the Authorizing Ordinance and designated "1999 Capital Improvement Revenue Bond Fund (Juvenile Detention Center Project)" (the "Bond Fund") the sums in the amounts and at the times described below for the purpose of providing funds for the payment of the principal of and interest on the Bonds, as they mature, with Trustee's fees.

There shall be paid into the Bond Fund on the first business day of each month, commencing in August 1999, until all outstanding Bonds, with interest thereon, have been paid in full or provision made for such payment, a sum equal to one-sixth (1/6) of the next installment of interest plus one-twelfth (1/12)

of the next installment of principal on all outstanding Bonds due at maturity or upon mandatory sinking fund redemption.

The County shall also pay from moneys in the Court Costs and Fine Fund into the Bond Fund such additional sums as necessary to provide for the Trustee's fees and expenses and any arbitrage rebate due the United States Treasury under Section 148(f) of the Code. The County shall receive a credit against monthly deposits into the Bond Fund from Bond proceeds deposited therein and all interest earnings on moneys in the Bond Fund.

If Pledged Revenues are insufficient to make the required payment on the first business day of the following month into the Bond Fund, then the amount of any such deficiency in the payment made shall be added to the amount otherwise required to be paid into the Bond Fund on the first business day of the next month.

The Trustee is authorized to withdraw from the Bond Fund on the due date for the principal and/or interest on any Bond, at maturity or redemption prior to maturity, an amount equal to the amount of such Bond and interest due thereon for the sole purpose of paying the same, together with the Trustee's fee. The Trustee shall also withdraw when due the amount to pay the arbitrage rebate.

(c) Any surplus in the Court Costs and Fine Fund after making the monthly deposits into the Bond Fund may be withdrawn from the Court Costs and Fine Fund and used, at the option of the County, for criminal justice purposes.

Additional Parity Bonds. So long as any of the Bonds are outstanding, the County shall not issue or attempt to issue any bonds or obligations claimed to be entitled to a priority of lien on the Pledged Revenues over the lien securing the Bonds.

The County reserves the right to issue additional bonds to finance or pay the cost of constructing any additional criminal justice facilities or to refund bonds issued for such purposes, but the County shall not authorize or issue any such additional bonds ranking on a parity with the outstanding Bonds unless and until there have been procured and filed with the County Clerk and the Trustee a statement by an independent certified public accountant not in the regular employ of the County ("Accountant") reciting the opinion, based upon necessary investigation, that the Pledged Revenues for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 130% of the average annual principal and interest requirements on all the then outstanding bonds payable from the Pledged Revenues and the additional bonds then proposed to be issued.

The additional bonds, the issuance of which is restricted and conditioned hereby, shall not be deemed to mean bonds the security and source of payment of which are subordinate and subject to the priority of the Bonds, and such bonds may be issued without complying with the terms and conditions hereof.

Accounts and Records. The County will keep proper books of accounts and records (separate from all other records and accounts) in which complete and correct entries shall be made of all transactions relating to the Pledged Revenues, and such books shall be available for inspection by the registered owner of any of the Bonds at reasonable times and under reasonable circumstances. The County agrees to have its financial statements audited by the Legislative Joint Auditing Committee, Division of Legislative Audit of the State of Arkansas, or, at the option of the County, an Accountant, and a copy of the audit shall be delivered to the Trustee within 45 days after it is received by the County. The audit shall be made available to registered owners requesting the same in writing.

Maintenance; Insurance. The County covenants and agrees that it will maintain the Chancery Court, Juvenile Division, and Circuit Court facilities in good condition and operate the same in an efficient manner and at reasonable cost. While the Bonds are outstanding, the County agrees that, to the extent comparable protection is not otherwise provided to the satisfaction of the Trustee, it will insure and at all times keep insured, in the amount of the actual value thereof, in a responsible insurance company or companies authorized and qualified under the laws of the State to assume the risk thereof, the Chancery Court, Juvenile Division, and Circuit Court facilities, against loss or damage thereto from fire and other perils included in extended coverage insurance in effect in Arkansas. Satisfactory evidence of said insurance shall be filed with the Trustee. In the event of loss, the proceeds of such insurance shall be applied solely toward the reconstruction, replacement or repair of the Chancery Court, Juvenile Division, and Circuit Court facilities, and in such event the County will, with reasonable promptness, cause to be commenced and completed the reconstruction, replacement and repair work. If such proceeds are more than sufficient for such purposes, the balance remaining shall be deposited to the credit of the General Fund or such other account as the Quorum Court may direct.

Defeasance. Any Bond shall be deemed paid within the meaning of the Authorizing Ordinance when payment of the principal of and interest on such Bond, either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (1) cash fully insured by the Federal Deposit Insurance Corporation ("FDIC") sufficient to make such payment and/or (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America ("Investment Securities") (provided that such deposit will not affect the tax exempt status of the interest on any of the Bonds or cause any of the Bonds 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 pertaining to the Bonds 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 will hold in trust, for the benefit of the owners of such Bonds, all such moneys and/or Investment 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 the payment of any arbitrage rebate that may be due is made or provided for to be satisfaction of the Trustee, the Trustee will take all appropriate action to cause (i) the pledge and lien of the Authorizing Ordinance to be discharged and canceled, 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 County. In determining the sufficiency of the deposit of Investment Securities there will be considered the principal amount of such Investment Securities and interest to be earned thereon until the maturity of such Investment Securities.

Default and Remedies. If there be any default in the payment of the principal of or interest on any of the Bonds, or if the County defaults in any Bond Fund requirement or in the performance of any of the other covenants contained in the Authorizing Ordinance, the Trustee may, and upon the written request of the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, by proper suit, compel the performance of the duties of the officials of the County under the laws of Arkansas.

No registered owner of any of the outstanding Bonds shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any power or

right 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 registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall have made written request of the Trustee after the right to exercise such power 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 granted to the Trustee, 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 costs, expenses 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. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the execution of any remedy. No one or more registered 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 described in the Authorizing Ordinance. All proceedings at law or in equity shall be instituted, had and maintained in the manner herein described and for the benefit of all registered owners of the outstanding Bonds.

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

The Trustee may, and upon the written request of the registered owners of not less than fifty percent (50%) in principal amount of the Bonds then outstanding shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted under the provisions of the Authorizing Ordinance or before the completion of the enforcement of any other remedy, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

In any proceeding to enforce the provisions of the Authorizing Ordinance the Trustee or any plaintiff Bondholder shall be entitled to recover costs of such proceeding, including reasonable attorneys' fees.

Amendment of Authorizing Ordinance. The Authorizing Ordinance provides that it shall constitute a binding contract between the County and the registered owners of the outstanding Bonds and no variation or change shall be made while any of the Bonds are outstanding, except as provided below.

The Trustee may consent to any variation or change in the Authorizing Ordinance to cure any ambiguity, defect or omission in the Authorizing Ordinance or any amendment thereto or any other change that the Trustee determines is not to the material prejudice of the Bondholders or Trustee, without the consent of the owners of the Bonds then outstanding.

The owners of not less than seventy-five percent (75%) in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, to consent to and approve the adoption by the County of such ordinance supplemental to the Authorizing 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, except that there shall not be permitted (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of Pledged Revenues other than as expressly permitted by the Authorizing Ordinance, or (d) the creation of a privilege of 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.

The Trustee. The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the registered owners of not less than 10% in principal amount of the Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by 60 days' notice in writing to the County Clerk and to the registered owners of the Bonds, and the majority in value of the registered owners of the outstanding Bonds, at any time, with or without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, the majority in value of the registered owners of the outstanding Bonds may appoint a new Trustee, such appointment to be evidenced by a written instrument or instruments filed with the County Clerk. If the majority in value of the registered owners of the outstanding Bonds shall fail to fill a vacancy within 45 days after the same shall occur, then the County shall forthwith designate a new Trustee by a written instrument filed in the office of the County Clerk. The original Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts imposed upon it or them 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 registered owners of the Bonds agree. Any successor Trustee shall have all the powers granted to the original Trustee. No resignation or removal shall become effective until the successor Trustee shall have been appointed.

Investments. (a) Moneys held for the credit of the Bond Fund shall be continuously invested and reinvested by the Trustee in Permitted Investments (as hereinafter defined), all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the payment date for interest or principal and interest.

(b) Moneys held for the credit of the Construction Fund, the Court Costs and Fine Fund or any other fund shall be continuously invested and reinvested by the County in Permitted Investments or other investments as may, from time to time, be permitted by law, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when the moneys held for the credit of the particular fund will be required for purposes intended.

(c) Obligations so purchased as an investment of moneys in any fund shall be deemed at all times to be a part of such fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund.

(d) "Permitted Investments" are defined as (i) direct or fully guaranteed obligations of the United States of America (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) ("Government Securities"), or (ii) time deposits or certificates of deposit of banks, including the Trustee, which are insured by the FDIC, or, if in excess of insurance coverage, collateralized by Government Securities.

Nonarbitrage. The County covenants that it shall not take any action or suffer or permit any action to be taken or condition to exist which causes or may cause the interest payable on the Bonds to be subject to federal income taxation. Without limiting the generality of the foregoing, the County covenants that no moneys held in any fund in connection with the Bonds will be used directly or indirectly in such manner as to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of

the Code. The County covenants to make any arbitrage rebate payments to the United States Treasury that becomes due with respect to the Bonds.

LIMITED CONTINUING DISCLOSURE AGREEMENT

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

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

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

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

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

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

"Repository" shall mean each National Repository and each State Repository.

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

"State Repository" shall mean any public or private repository or entity designated by the State of Arkansas as a state repository for the purpose of the Rule. As of the date hereof, there is no State Repository.

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the security.

7. Modification to rights of security holders.
8. Bond calls (excluding mandatory sinking fund redemptions).
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the securities.
11. Rating changes.

(b) When the County obtains knowledge of the occurrence of a Listed Event, the County shall promptly notify the Dissemination Agent (if other than the County) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) Whenever the County obtains knowledge of the occurrence of a Listed Event, whether from notice by the Trustee or otherwise, the County shall file (or shall cause the Dissemination Agent to file) a notice of such occurrence with the Municipal Securities Rulemaking Board, each State Repository and the County. Notwithstanding the foregoing, notice of the Listed Event described in clause (a) 8 need not be given any earlier than the notice for the underlying event is given to registered owners of affected Bonds pursuant to the terms of the Authorizing Ordinance. Each notice of the occurrence of a Listed Event shall be captioned "Notice of Material Event" and shall properly state the date, title and CUSIP number of the Bonds.

Financial Information or Operating Data. (a) The County will provide, upon request to any person or at least annually to the appropriate State Repository, if any, the following financial information or operating data regarding the County:

1. Information of the type set forth in this Official Statement under the captions (A) "THE COUNTY" with respect to the County population and County economic data in the latest year for which available and the three previous years for which figures are available; and (B) "FINANCIAL INFORMATION."

2. The annual audit of the County prepared in accordance with government auditing standards issued by the Comptroller General of the United States and applicable State law.

3. Any other financial information or operating data which is customarily prepared by the County and is publicly available.

(b) The above-described information and the information described under the Caption Reporting of Significant Events may be obtained from Jerry Hunton, whose address is 280 North College Avenue, Fayetteville, Arkansas 72701, and whose telephone number is (501) 444-1700.

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

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

prepared by the County pursuant to the Limited Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the County shall be the Dissemination Agent. The initial Dissemination Agent shall be the County.

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

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

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

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

In the event of any amendment or waiver of a provision of the Limited Continuing Disclosure Agreement which relates to the accounting principles to be followed in preparing financial statements, notice of such change shall be given in the same manner as for a Listed Event.

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

Default. In the event of a failure of the County or the Trustee to comply with any provision of the Limited Continuing Disclosure Agreement, the Trustee, the County or any Beneficial Owner may (and the Trustee, at the request of the Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County or the Trustee, as the case may be, to comply with its obligations under the Limited Continuing Disclosure Agreement. A default under the Limited Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under the Limited Continuing Disclosure Agreement in the event of any failure of the County or the Trustee to comply with the Limited 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 County) shall have only such duties as are specifically set forth in the Limited Continuing Disclosure Agreement, and the County agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's gross negligence or willful misconduct.

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

JUVENILE AND CRIMINAL COURT FACILITIES

There is operated in the County two divisions of Circuit Court and three divisions of Chancery Court, one of which is the Juvenile Division. A total of six judges can hear cases. The Juvenile Division hears criminal cases involving juveniles. The Circuit Court primarily hears cases filed as felonies in criminal matters and civil cases. In some cases, the Circuit Court hears misdemeanor cases. The following sets forth the number of cases filed in the Circuit Court and Chancery Court, Juvenile Division for the years indicated:

<u>Year</u>	<u>Juvenile</u>	<u>Circuit</u>	<u>Total</u>
1998	1,624	1,839	3,463
1997	1,509	1,868	3,377
1996	1,666	1,783	3,449
1995	1,445	1,778	3,223
1994	1,027	1,548	2,575

FINANCIAL INFORMATION

The Pledged Revenues consist of fines (including fines of a restitutorial nature) and criminal court costs, after Prior Claims have been paid. The Prior Claims include distributions from the Court Costs and Fine Fund that must be made under State law, to other funds of the County and to the State and certain of the State's agencies and instrumentalities.

The Pledged Revenues that consist of only fines (including fines of a restitutional nature) are summarized by management of the County as follows for the preceding five years and for the first five months of 1999 and 1998:

<u>Year</u>	<u>Pledged Revenues</u>
1998	\$438,869
1997	394,754
1996	227,309
1995	324,065
1994	218,735

<u>Period</u>	<u>Pledged Revenues</u>
January - May 1999	\$193,797
January - May 1998	196,070

DEBT SERVICE COVERAGE

The following table shows the funds available for debt service on the Bonds, the maximum amount of debt service due, and the extent to which debt service is covered by such funds:

Funds Available for Debt Service(1)(A)	\$353,644
Maximum Annual Debt Service Requirements on the Bonds (B)	277,843
Debt Service Coverage (A/B)	1.27x

(1) Average Pledged Revenues received during last three years; amount includes only fines (including fines of a restitutional nature) and not court costs.

DEBT SERVICE REQUIREMENTS

Set forth below are the annual debt service requirements for the Bonds for each year:

<u>Year</u>	<u>Bond Principal</u>	<u>Bond Interest</u>	<u>Total Debt Service</u>
2000	\$125,000	\$149,329.38	\$274,329.38
2001	145,000	132,842.50	277,842.50
2002	150,000	126,680.00	276,680.00
2003	155,000	120,155.00	275,155.00
2004	160,000	113,335.00	273,335.00
2005	170,000	106,135.00	276,135.00
2006	175,000	98,315.00	273,315.00
2007	185,000	90,090.00	275,090.00
2008	195,000	81,210.00	276,210.00
2009	205,000	71,655.00	276,655.00
2010	215,000	61,405.00	276,405.00
2011	225,000	50,440.00	275,440.00
2012	235,000	38,740.00	273,740.00
2013	250,000	26,520.00	276,520.00
2014	260,000	13,520.00	273,520.00
TOTALS	\$2,850,000	\$1,280,371.88	\$4,130,371.88

LEGAL MATTERS

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

Legal Opinions. Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel. Certain legal matters will be passed upon for the County by its counsel, George E. Butler, Jr., Esq.

Tax Exemption-Opinion of Bond Counsel. In the opinion of Bond Counsel, under existing law, the interest on the Bonds is exempt from all State income taxes and the Bonds are exempt from property taxation in the State.

Also, in the opinion of Bond Counsel, interest on the Bonds under existing law is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in the preceding sentence are subject to the condition that the County comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross

income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Bonds and the Project. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The County has covenanted to comply with all such requirements in the Authorizing Ordinance.

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (ii) interest on the Bonds earned by some corporations could be subject to the environmental tax imposed by Section 59A of the Code, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Bonds.

Prospective purchasers of the Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

An exception allows a deduction of 80% of interest expense allocable to "qualified tax-exempt obligations." Under the Code, the term includes any obligation which (1) is not a "private activity bond" within the meaning of the Code (excluding from that term "qualified 501(c)(3) bonds"), (2) is issued by an issuer (and subordinate entities) which reasonably anticipates to issue not more than \$10,000,000 of tax-exempt obligations (other than private activity bonds (excluding from that term "qualified 501(c)(3) bonds" under Section 145 of the Code) during the calendar year, and (3) is so designated by the issuer.

The County has designated the Bonds as "qualified tax-exempt obligations" and has (1) covenanted not to use the Project in a manner which would cause the Bonds to be "private activity bonds," and (2) represented that it does not reasonably expect that the County and its subordinate entities will issue more than \$10,000,000 of such tax-exempt obligations during calendar year 1999.

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

Financial institutions may continue to deduct interest on indebtedness incurred or continued to purchase or carry obligations which generate tax-exempt income to the same

extent that the interest was deductible prior to the adoption of Section 17 of Act 785 of 1993.

Tax Exemption-Original Issue Discount. The initial public offering prices of the Bonds maturing in year 2014, shown on the cover page hereof ("OID Bonds"), are less than the stated principal amounts thereof. Under existing law, the difference between the stated principal amount of the OID Bonds and the initial public offering prices constitute original issue discount ("OID"). For federal income tax purposes, OID is treated as interest on the Bonds which is excluded from gross income and could subject a corporation to alternative minimum tax to the same extent as stated interest on the Bonds. Bond Counsel's opinion is given in reliance on certifications by the Underwriters to the effect that the offering prices for the OID Bonds set forth on the cover page hereof are the initial offering prices to the public (excluding underwriters and other intermediaries) at which a substantial amount of the Bonds are sold.

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

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

MISCELLANEOUS

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

Underwriting. Crews & Associates, Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds from the County at an aggregate purchase price of \$2,804,290.80 (principal amount less original issue discount of \$9,961.90 and Underwriter's discount of \$35,747.30 or 1.254% of par), plus accrued interest to the date of delivery. The Underwriter is committed to purchase all of the Bonds if any are purchased.

The Bonds are being purchased by the Underwriter for reoffering in the normal course of the Underwriter's business activities. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment accounts) and others at prices lower than the offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

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

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

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

WASHINGTON COUNTY, ARKANSAS

By /s/ Jerry Hunton
County Judge

Dated: As of the Cover Page hereof.

