



May 21, 2015

General Assembly of the State of Arkansas

Dear Members of the Assembly:

Pursuant to Arkansas Code §15-4-3203(i)(3), the Arkansas Development Finance Authority ("ADFA") is required to provide a report relative to potential Amendment 82 projects. The information contained in this report pertains to a potential Amendment 82 Project ("the Project"), GVAB – Lockheed Martin Corporation (the "Sponsor.") Please find the following reports:

- (A) Schedule of debt service for the Series 2014 outstanding Amendment 82 bonds ("Big River Steel") and the projected debt service for Amendment 82 bonds that may be issued for Project GVAB – Lockheed Martin Corporation;
- (B) Projected schedule of revenues, if any, to be received by the State from the Sponsor in connection with its use of the infrastructure needs and other needs associated with the proposed Project;
- (C) An initial plan of marketing for the bonds and a proposed schedule of issuance dates, including, without limitation, the number of series to be issued and an estimated timeline for the series based on the Arkansas Economic Development Commission's proposed spending schedule; and
- (D) A preliminary and estimated sources and uses table.

Most of the information contained within these reports is marked "preliminary," as the details and specifics of issuing bonds can vary due to market conditions.

Best regards,

A handwritten signature in blue ink that reads "Aaron J. Burkes".

Aaron Burkes
President

STATE OF ARKANSAS GENERAL OBLIGATION AMENDMENT 82 BONDS
SERIES 2014 - "BIG RIVER STEEL PROJECT"
SOURCES AND USES OF FUNDS

Sources	
Principal Amount of Bonds	\$125,000,000.00
Net Reoffering Premium/Discount	<u>0.00</u>
Total Sources	<u>\$125,000,000.00</u>
Uses	
Project Costs	\$120,000,000.00
Costs of Issuance and Other Expenses	<u>5,000,000.00</u>
Total Uses	<u>\$125,000,000.00</u>

Project Financed

The Project financed is a portion of the cost of the acquisition, development, construction and operation of a mini mill steel manufacturing facility, including related buildings and infrastructure, in Mississippi County, Arkansas by the Sponsor, Big River Steel, as set forth more fully in the Amendment 82 Agreement. Pursuant to the Project Acts, the General Assembly authorized the execution of the Amendment 82 Agreement.

Annual Debt Service Requirements

The following table reflects annual amounts required to pay debt service on the Bonds based on a fiscal year ending June 30.

Year Ending	Series A Debt	Series B Debt	Total Debt
2015	\$1,150,021.28	\$1,046,029.17	\$2,196,050.45
2016	5,275,491.58	2,080,500.00	7,355,991.58
2017	5,277,989.98	2,080,500.00	7,358,489.98
2018	5,269,546.86	2,080,500.00	7,350,046.86
2019	5,261,864.06	4,117,225.60	9,379,089.66
2020	5,255,220.36	4,113,908.38	9,369,128.74
2021	5,251,289.48	4,116,846.26	9,368,135.74
2022	5,241,708.23	4,110,935.21	9,352,643.44
2023	5,236,967.36	4,111,071.21	9,348,038.57
2024	5,232,599.78	4,107,046.21	9,339,645.99
2025	5,230,193.40	4,103,756.18	9,333,949.58
2026	5,222,230.85	4,105,889.05	9,328,119.90
2027	5,219,929.23	4,103,236.78	9,323,166.01
2028	5,218,255.63	4,100,695.33	9,318,950.96
2029	5,217,038.60	4,098,056.65	9,315,095.25
2030	5,216,106.70	4,095,112.70	9,311,219.40
2031	5,195,643.00	4,091,655.43	9,287,298.43
2032	5,194,347.90	4,087,476.78	9,281,824.68
2033	5,190,550.23	4,082,368.70	9,272,918.93
2034	5,184,044.43	4,081,019.13	9,265,063.56
2035	<u>5,184,419.40</u>	<u>4,078,115.98</u>	<u>9,262,535.38</u>
Total	<u>\$105,725,458.34</u>	<u>\$76,991,944.75</u>	<u>\$182,717,403.09</u>

ANNUAL DEBT SERVICE PROJECTIONS**PROJECT GVAB – LOCKHEED MARTIN CORPORATION**

The preliminary annual debt service projection scenarios provided in this report are based on the current market conditions and subject to change prior to the final marketing of the bonds. Three scenarios are provided because each was applied in varying versions of the Arkansas Department of Finance and Administration's ("DF&A") Economic Analysis and Tax Research Office economic impact analysis. More specific detail on the various economic impact reports is provided in the Arkansas Economic Development Commission ("AEDC") Amendment 82 report.

The final terms and structure will be determined by ADFA and the professional underwriters that will be engaged to market the bonds at the time of the actual transaction. It is highly possible interest rates will change between now and the time of the bond issuance. In preparation for such variance, ADFA has analyzed historical interest rates over the last five years. Cost effective financing should be available assuming interest rates remain within the five-year historical range. The specific bond structure used will be the one that would result in the lowest cost of funds for the State.

BOND DEBT SERVICE
State of Arkansas
General Obligation Bonds - Taxable Structure
\$84.645 million - 20 year level debt
10 Year Call Feature
Scale as of April 20, 2015
****Preliminary, subject to change****

Period Ending	Principal	Coupon	Interest	Debt Service
2016	\$ 3,170,000	0.460%	\$ 2,078,795	\$ 5,248,795
2017	\$ 3,820,000	0.780%	\$ 2,479,972	\$ 6,299,972
2018	\$ 3,850,000	1.200%	\$ 2,450,176	\$ 6,300,176
2019	\$ 3,895,000	1.720%	\$ 2,403,976	\$ 6,298,976
2020	\$ 3,960,000	1.970%	\$ 2,336,982	\$ 6,296,982
2021	\$ 4,040,000	2.150%	\$ 2,258,970	\$ 6,298,970
2022	\$ 4,125,000	2.350%	\$ 2,172,110	\$ 6,297,110
2023	\$ 4,225,000	2.590%	\$ 2,075,173	\$ 6,300,173
2024	\$ 4,335,000	2.740%	\$ 1,965,745	\$ 6,300,745
2025	\$ 4,450,000	2.840%	\$ 1,846,966	\$ 6,296,966
2026	\$ 4,580,000	3.040%	\$ 1,720,586	\$ 6,300,586
2027	\$ 4,715,000	3.190%	\$ 1,581,354	\$ 6,296,354
2028	\$ 4,865,000	3.340%	\$ 1,430,946	\$ 6,295,946
2029	\$ 5,030,000	3.490%	\$ 1,268,455	\$ 6,298,455
2030	\$ 5,205,000	3.590%	\$ 1,092,908	\$ 6,297,908
2031	\$ 5,390,000	3.960%	\$ 906,048	\$ 6,296,048
2032	\$ 5,605,000	3.960%	\$ 692,604	\$ 6,297,604
2033	\$ 5,825,000	3.960%	\$ 470,646	\$ 6,295,646
2034	\$ 6,060,000	3.960%	\$ 239,976	\$ 6,299,976
	\$ 87,145,000		\$ 31,472,386	\$ 118,617,386

BOND DEBT SERVICE
State of Arkansas
General Obligation Bonds - Taxable Structure
\$84.645 million - 15 year level debt
7 Year Call Feature
Scale as of April 21, 2015
****Preliminary, subject to change****

Period Ending	Principal	Coupon	Interest	Debt Service
2016	\$ 4,290,000	0.460%	\$ 1,851,325.83	\$ 6,141,325.83
2017	\$ 5,165,000	0.770%	\$ 2,201,857.00	\$ 7,366,857.00
2018	\$ 5,205,000	1.200%	\$ 2,162,086.50	\$ 7,367,086.50
2019	\$ 5,270,000	1.710%	\$ 2,099,626.50	\$ 7,369,626.50
2020	\$ 5,360,000	1.960%	\$ 2,009,509.50	\$ 7,369,509.50
2021	\$ 5,465,000	2.140%	\$ 1,904,453.50	\$ 7,369,453.50
2022	\$ 5,580,000	2.340%	\$ 1,787,502.50	\$ 7,367,502.50
2023	\$ 5,710,000	2.680%	\$ 1,656,930.50	\$ 7,366,930.50
2024	\$ 5,865,000	2.880%	\$ 1,503,902.50	\$ 7,368,902.50
2025	\$ 6,035,000	2.980%	\$ 1,334,990.50	\$ 7,369,990.50
2026	\$ 6,210,000	3.180%	\$ 1,155,147.50	\$ 7,365,147.50
2027	\$ 6,410,000	3.330%	\$ 957,669.50	\$ 7,367,669.50
2028	\$ 6,625,000	3.480%	\$ 744,216.50	\$ 7,369,216.50
2029	\$ 6,855,000	3.630%	\$ 513,666.50	\$ 7,368,666.50
2030	\$ 7,100,000	3.730%	\$ 264,830.00	\$ 7,364,830.00
	\$ 87,145,000		\$ 22,147,714.83	\$ 109,292,714.83

BOND DEBT SERVICE
State of Arkansas
General Obligation Bonds - Taxable Structure
\$84.645 million - 20 year level debt
7 Year Call Feature
Scale as of April 20, 2015
****Preliminary, subject to change****

Period Ending	Principal	Coupon	Interest	Debt Service
2016	\$ 2,940,000	0.460%	\$ 2,205,526.25	\$ 5,145,526.25
2017	\$ 3,540,000	0.770%	\$ 2,633,107.50	\$ 6,173,107.50
2018	\$ 3,570,000	1.200%	\$ 2,605,849.50	\$ 6,175,849.50
2019	\$ 3,610,000	1.710%	\$ 2,563,009.50	\$ 6,173,009.50
2020	\$ 3,675,000	1.960%	\$ 2,501,278.50	\$ 6,176,278.50
2021	\$ 3,745,000	2.140%	\$ 2,429,248.50	\$ 6,174,248.50
2022	\$ 3,825,000	2.340%	\$ 2,349,105.50	\$ 6,174,105.50
2023	\$ 3,915,000	2.680%	\$ 2,259,600.50	\$ 6,174,600.50
2024	\$ 4,020,000	2.880%	\$ 2,154,678.50	\$ 6,174,678.50
2025	\$ 4,135,000	2.980%	\$ 2,038,902.50	\$ 6,173,902.50
2026	\$ 4,260,000	3.180%	\$ 1,915,679.50	\$ 6,175,679.50
2027	\$ 4,395,000	3.330%	\$ 1,780,211.50	\$ 6,175,211.50
2028	\$ 4,540,000	3.480%	\$ 1,633,858.00	\$ 6,173,858.00
2029	\$ 4,700,000	3.630%	\$ 1,475,866.00	\$ 6,175,866.00
2030	\$ 4,870,000	3.730%	\$ 1,305,256.00	\$ 6,175,256.00
2031	\$ 5,050,000	4.100%	\$ 1,123,605.00	\$ 6,173,605.00
2032	\$ 5,255,000	4.100%	\$ 916,555.00	\$ 6,171,555.00
2033	\$ 5,475,000	4.100%	\$ 701,100.00	\$ 6,176,100.00
2034	\$ 5,695,000	4.100%	\$ 476,625.00	\$ 6,171,625.00
2035	\$ 5,930,000	4.100%	\$ 243,130.00	\$ 6,173,130.00
	\$ 87,145,000		\$ 35,312,192.75	\$ 122,457,192.75

PROJECTED SCHEDULE OF REVENUES

PROJECT GVAB – LOCKHEED MARTIN CORPORATION

There are no projected revenues expected to be received by the State from the Sponsor in connection with its use of the infrastructure needs or other needs associated with the proposed Project.

The State does expect to generate increased revenues through the economic activity provided by the Project. These projections are reflected in the economic impact models referenced in the AEDC report and the third-party study performed on behalf of the General Assembly.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY ("ADFA")

INITIAL PLAN OF MARKETING FOR AMENDMENT 82 BONDS

PROJECT GVAB – LOCKHEED MARTIN CORPORATION

Once the decision has been made to issue bonds, ADFA selects a financing team to develop the financing plan, develop offering documents, prepare for any rating agency and investor presentations, market the bond offering to investors, price the bonds, and close the transaction. This professional team, selected by ADFA, may consist of underwriters, bond counsel, trustees, and, if needed, other counsel. ADFA works diligently with the professional team in order to provide interest rates, call features, and purchase price that are appealing in today's market. The specific bond structure used will be the one that would result in the lowest cost of funds for the State.

ADFA maintains a Statement of Qualifications for professionals wanting to work with ADFA. In selecting the professional team, ADFA sends out a Request for Proposal ("RFP") to all parties for which a Statement of Qualifications is on file. The RFP is also placed on ADFA's website. The process followed by ADFA will be in accordance State laws and with ADFA's established policies and procedures.

The RFP process is normally a 30-60 day process (depending on RFP timing). For example:

Day 1	Request for Proposal Issued
3-4 weeks later	Proposals Due
TBA	Oral Presentations (if necessary)
Next monthly ADFA Board Meeting	Board Action (Appoint/ratify appointment of professionals, authorizes the President of ADFA to negotiate fees)

The proposals received in response to the RFP are evaluated internally by ADFA's Staff Professional Selection Committee ("Staff PSC") to identify those proposals that best meet the criteria of the RFP. Criteria may include qualifications and prior experience with similar type bonds, demonstrated marketing ability and resources (which can directly impact the cost), as well as an Arkansas presence and minority representation of the firms responding. ADFA's financial advisor also evaluates the proposals. The Staff PSC makes a recommendation to the Professional Selection Committee of ADFA's Board of Directors ("Board PSC"). Board PSC then makes a selection/recommendation for approval by ADFA's full Board of Directors.

After the professionals are selected, a preliminary bond structure is discussed and transaction documents are drafted. Once finalized, an offering document is issued and, as determined by ADFA, the underwriter, bond counsel, and financial advisor, bonds are sold. The underwriters will be selling taxable General Obligation bonds, which have different buyers than tax-exempt municipal bonds. The limited supply of Arkansas bonds in the market lends itself to an expectation that these General Obligation bonds would be well received by bond investors.

It is anticipated that these bonds would be issued with one (1) series of bonds and the term will be no less than fifteen (15) years. Currently, taxable general obligation bonds typically have a ten-year call feature and it is proposed this issue will have ten-year call feature assuming the final amortization schedule is twenty (20) years. This means an investor can expect to be able to hold these bonds (with the longer maturities) for at least ten years. Please recall the previous Amendment 82 bond issue carried two (2) series of bonds, representing those bonds that are a loan to the Sponsor and those bonds that are not a loan. There is no loan associated with the current Project.

The projected debt service scenarios submitted as part of this report is based on a structure recommended by ADFA's financial advisor. The proposed structure currently envisions the issuance of par bonds. However, there is a potential that the bonds could be issued at a discount or a premium. At the time of issuance, the bond professionals will evaluate the market and structure of the bonds accordingly. The specific bond structure used will be the one that would result in the lowest cost of funds for the State.

Estimated Timeline:

Once the issuance of the Amendment 82 bonds has been authorized, ADFA will issue the RFPs for the bond professionals. Once selected, the bond professionals will meet with ADFA staff to establish a financing calendar, considering market conditions, timeline of expected use of the funds, etc. There should be no problem in completing the transaction prior to the need for the funds.

STATE OF ARKANSAS GENERAL OBLIGATION AMENDMENT 82 BONDS
PROJECT GVAB – LOCKHEED MARTIN CORPORATION
PRELIMINARY AND ESTIMATED SOURCES AND USES TABLE

Source of Funds:

Series A General Obligation Bonds	\$87,145,000
Total Sources	\$87,145,000

Use of Funds:

On-site Infrastructure Needs, to include the following	\$83,000,000
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1) Construction

- a. Test Track
- b. Test Building
- c. Parking Lots
- d. Access Roads
- e. Other construction necessary to support the project

2) Purchases and Installations

- a. HVAC Systems
- b. Furniture and Appliances
- c. Fencing
- d. Other purchases and installations necessary to support the project

3) Building Equipment

- a. Bridge Cranes
- b. Warehouse racking
- c. Assembly Carts
- d. Other building equipment necessary to support the project

4) Quality Assurance Equipment

- a. Calibrators
- b. Automated Torque System
- c. Laser Trackers
- d. Other quality assurance equipment necessary to support the project

5) Wheeled Vehicles – Rolling Stock

- a. Forklifts
- b. Tugs
- c. Carts
- d. Trucks
- e. Other wheeled vehicles necessary to support the project

Training Grant	\$1,645,000
Cost of Issuance	\$2,500,000 ⁱ
Total Uses	\$87,145,000

ⁱ Proposed Cost of Issuance is a projected figure and shall not exceed this amount.