

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 2, 2021

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

NEW ISSUE

RATING: S&P: "AA" (Insured)

BANK-QUALIFIED; BOOK-ENTRY ONLY

No underlying rating; see "BOND RATING" herein.

In the opinion of Gilmore & Bell, P.C., as Bond Counsel to the Commission, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Series 2021 Bonds (including any original issue discount properly allocable to an owner thereof) (1) 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 and (2) is exempt from income taxation by the State of Missouri. The Series 2021 Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" in this Official Statement.

\$7,495,000*

**HOWARD COUNTY REGIONAL WATER COMMISSION
WATER REFUNDING REVENUE BONDS
SERIES 2021**

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The Series 2021 Bonds will be issued as fully-registered bonds in the denomination of \$5,000 or any integral multiple thereof. Principal will be payable on September 1 as shown on the inside cover of this Official Statement, and semiannual interest will be payable on March 1 and September 1, beginning on September 1, 2021. Principal will be payable upon presentation and surrender of the Series 2021 Bonds by the registered owners thereof at the designated payment office of Security Bank of Kansas City, Kansas City, Kansas, the paying agent (the "**Paying Agent**").

The Series 2021 Bonds will constitute special obligations of the Howard County Regional Water Commission (the "**Commission**"). The Series 2021 Bonds will be payable solely from, and secured as to the payment of principal and interest by a pledge of, the Net Revenues (as defined in *Appendix A* hereto) derived by the Commission from the operation of the Commission's wholesale water supply system, including any extensions and improvements to the system hereafter constructed or acquired by the Commission (the "**System**"). The Commission has entered into an Amended and Restated Water Contract with the Water Purchasers (as defined herein) which requires the payment of monthly charges for the purchase of water on a "take-or-pay" basis payable solely from the revenues of each Water Purchaser's Local System (as defined herein). See "**SECURITY FOR THE SERIES 2021 BONDS**" herein. **The taxing power of the Water Purchasers, the State of Missouri or any political subdivision thereof is not pledged to the payment of the Series 2021 Bonds either as to principal or interest. The Commission has no taxing power. The Series 2021 Bonds do not constitute a general obligation of the Commission, the Water Purchasers, the State of Missouri or any political subdivision thereof, nor do the Series 2021 Bonds constitute an indebtedness of the Commission, the Water Purchasers, the State of Missouri or any political subdivision thereof within the meaning of any constitutional or statutory provision, limitation or restriction.**

The purchase of the Series 2021 Bonds involves certain investment risks as discussed herein. The Series 2021 Bonds may not be suitable investments for all persons and prospective purchasers should be able to evaluate the risks and merits of an investment in the Series 2021 Bonds before considering a purchase of the Series 2021 Bonds. See "RISK FACTORS AND INVESTMENT CONSIDERATIONS" herein.

The scheduled payment of principal of and interest on the Series 2021 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2021 Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See "BOND INSURANCE" herein.

[UNDERWRITER'S LOGO]



This Official Statement is dated April __, 2021.

The Series 2021 Bonds are being offered subject to prior sale and withdrawal of such offer without notice when, as and if issued by the Commission and accepted by the Underwriter, subject to the approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel. Certain legal matters relating to this Official Statement will also be passed upon by Gilmore Bell, P.C., Kansas City, Missouri. It is expected that the Series 2021 Bonds will be available for delivery to DTC in definitive form on or about April __, 2021.

Bids for the Series 2021 Bonds will be received electronically through PARITY electronic bid submission system until 10:30 A.M., Central Time, on April 14, 2021.

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of 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.

\$7,495,000*
HOWARD COUNTY REGIONAL WATER COMMISSION
WATER REFUNDING REVENUE BONDS
SERIES 2021

MATURITY SCHEDULE*

Serial Bonds

<u>Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2021	\$155,000		
2022	200,000		
2023	200,000		
2024	205,000		
2025	205,000		
2026	205,000		
2027	205,000		
2028	210,000		
2029	210,000		
2030	215,000		
2031	215,000		
2032	220,000		
2033	225,000		
2034	225,000		
2035	230,000		
2036	235,000		
2037	240,000		
2038	245,000		
2039	245,000		
2040	250,000		
2041	255,000		
2042	265,000		
2043	270,000		
2044	275,000		
2045	280,000		
2046	285,000		
2047	290,000		
2048	300,000		
2049	305,000		
2050	315,000		
2051	315,000		

Term Bonds

\$ _____ Term Bonds due September 1, 20____; Interest Rate _____%; Yield _____%
 \$ _____ Term Bonds due September 1, 20____; Interest Rate _____%; Yield _____%

* Preliminary, subject to change.

HOWARD COUNTY REGIONAL WATER COMMISSION

165 County Road 350
New Franklin, Missouri

OFFICERS AND DIRECTORS

Robbey Harvey, *Chairman and Director*
Tyler Griffith, *Treasurer and Director*
Newton Arbogast, *Director*

Tyler Griffith, *Secretary*

WATER PURCHASERS

City of Fayette, Missouri
City of New Franklin, Missouri
Consolidated Public Water Supply District #1
of Howard County, Missouri

MANAGER

Jesse Howell
(Contract Operator)

BOND COUNSEL

Gilmore & Bell, P.C.
Kansas City, Missouri

FINANCIAL ADVISOR

 **McLiney And Company**
a division of SAMCO Capital

PAYING AGENT

Security Bank of Kansas City
Kansas City, Kansas

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Commission, the Financial Advisor or the Underwriter to give any information or to make any representations with respect to the Series 2021 Bonds 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 the solicitation of an offer to buy, and there shall not be any sale of the Series 2021 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Certain information contained herein has been obtained from the Commission, the Water Purchasers, The Depository Trust Company, and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed to be the representation of, the Underwriter or the Financial Advisor; and except for the information concerning the Commission, such information is not to be construed as a representation concerning the Commission. 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 parties referred to above since the date hereof.

In connection with this offering, the Underwriter may overallocate or effect transactions that stabilize or maintain the market price of the Series 2021 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Series 2021 Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or under any state securities or “blue sky” laws. The Series 2021 Bonds are offered pursuant to an exemption from registration with the Securities and Exchange Commission.

In making an investment decision, investors must rely on their own examination of the Commission and the terms of the offering, including the merits and risks involved. The Series 2021 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Series 2021 Bonds or the advisability of investing in the Series 2021 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and “Appendix E - Specimen Municipal Bond Insurance Policy.”

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included in or incorporated by reference in this Official Statement that are not purely historical are “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended, and reflect the Commission’s current expectations, hopes, intentions, or strategies regarding the future. Such statements may be identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “intend” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INCLUDED IN SUCH RISKS AND UNCERTAINTIES ARE (i) THOSE RELATING TO THE POSSIBLE INVALIDITY OF THE UNDERLYING ASSUMPTIONS AND ESTIMATES, (ii) POSSIBLE CHANGES OR DEVELOPMENTS IN SOCIAL, ECONOMIC, BUSINESS, INDUSTRY, MARKET, LEGAL AND REGULATORY CIRCUMSTANCES, AND (iii) CONDITIONS AND ACTIONS TAKEN OR OMITTED TO BE TAKEN BY THIRD PARTIES, INCLUDING CUSTOMERS, SUPPLIERS, BUSINESS PARTNERS AND COMPETITORS, AND LEGISLATIVE, JUDICIAL AND OTHER GOVERNMENTAL AUTHORITIES AND OFFICIALS. ASSUMPTIONS RELATED TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE, AND MARKET CONDITIONS AND FUTURE BUSINESS DECISIONS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY. FOR THESE REASONS, THERE CAN BE NO ASSURANCE THAT THE FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT WILL PROVE TO BE ACCURATE.

UNDUE RELIANCE SHOULD NOT BE PLACED ON FORWARD-LOOKING STATEMENTS. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT ARE BASED ON INFORMATION AVAILABLE TO THE COMMISSION ON THE DATE HEREOF, AND THE COMMISSION ASSUMES NO OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR FAIL TO OCCUR, OTHER THAN AS SET FORTH under the heading “CONTINUING DISCLOSURE” IN THIS OFFICIAL STATEMENT.

TABLE OF CONTENTS

INTRODUCTION	1
Purpose of the Official Statement	1
Authority	1
The Commission	1
Security and Source of Payment	2
Risk Factors and Investment Considerations	3
Continuing Disclosure Information	3
Definitions and Descriptions; Inspection of Documents	3
PLAN OF FINANCE	3
The Refunding	3
Sources and Uses of Funds	4
DESCRIPTION OF THE SERIES 2021 BONDS	4
General	4
Redemption Provisions	5
Book-Entry Only System	6
CUSIP Numbers	8
SECURITY FOR THE SERIES 2021 BONDS	8
Limited Obligations	8
The Bond Resolution	8
The Water Contract	11
BOND INSURANCE	12
Bond Insurance Policy	12
Build America Mutual Assurance Company	13
RISK FACTORS AND INVESTMENT CONSIDERATION	14
General	14
Limited Obligations	15
Security for the Series 2021 Bonds	15
No Mortgage on the System	15
BAM Control of Remedies	15
Debt Service Reserve Fund	16
Matters Relating to Enforceability	16
Defaults with Respect to Water Purchaser's Obligations	16
Events Affecting the System	17
Availability of Raw Water	17
Competition	17
Certain Other Risks	17
Amendment of the Bond Resolution	19
Additional Bonds	19
Loss of Premium from Prepayment	19
Risk of IRS Audit	19
Taxability	20
Secondary Market and Prices	20
Defeasance Risks	20
Potential Risks Relating to COVID-19	21
Cybersecurity Risks	22
LITIGATION	22
APPROVAL OF LEGALITY	22
TAX MATTERS	23
Opinion of Bond Counsel	23
Other Tax Consequences	23
FINANCIAL STATEMENTS	24

CONTINUING DISCLOSURE	24
Electronic Municipal Market Access System (EMMA)	26
BOND RATING	27
FINANCIAL ADVISOR	27
UNDERWRITING.....	27
MISCELLANEOUS	28

APPENDIX A – Definitions and Summary of Certain Transaction Documents
APPENDIX B – Information concerning the Commission, the System and the Water Purchasers
APPENDIX C – Financial Statements of the Commission
APPENDIX D – Form of Opinion of Bond Counsel
APPENDIX E – Specimen Municipal Bond Insurance Policy

OFFICIAL STATEMENT

\$7,495,000*

HOWARD COUNTY REGIONAL WATER COMMISSION WATER REFUNDING REVENUE BONDS SERIES 2021

INTRODUCTION

*This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to the more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. Capitalized words and terms not defined in this Official Statement shall have the meanings as defined in **Appendix A – “DEFINITIONS AND SUMMARY OF CERTAIN TRANSACTION DOCUMENTS”** herein. A full review should be made of the entire Official Statement.*

Purpose of the Official Statement

The purpose of this Official Statement is to furnish information relating to (1) the Howard County Regional Water Commission (the “**Commission**”) and (2) the Commission’s Water Refunding Revenue Bonds, Series 2021 (the “**Series 2021 Bonds**”), to be issued in the principal amount of \$7,495,000.*

Authority

The Series 2021 Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Missouri, including particularly Article VI, Section 27 of the Constitution of Missouri, 1945, as amended, and Sections 393.700 to 393.770 of the Revised Statutes of Missouri, as amended (collectively, the “**Act**”). The Series 2021 Bonds are issued pursuant to and secured by the provisions of a resolution passed by the Commission (the “**Bond Resolution**”).

The Commission

The Commission is a joint municipal utility commission operated by the two member cities and one member consolidated public water supply district (collectively, the “**Water Purchasers**”) listed on the inside cover page of this Official Statement located in north central Missouri. The Commission was formed in 2008 pursuant to joint governmental action in order to obtain, for the Water Purchasers, joint water supply facilities and potable water supplies required to meet the needs in whole or in part of such Water Purchasers and the residents thereof in an economic and feasible manner. For more details regarding the Commission, its Water Purchasers and its management, see *Appendix B* hereto.

The Commission has previously issued its Water Refunding and Improvement Revenue Bonds, Series 2015A, in the original aggregate principal amount of \$5,473,000 (the “**Series 2015A Bonds**”) and Water Revenue Bonds, Series 2015B, in the original aggregate principal amount of \$1,969,000 (the “**Series 2015B Bonds**”) in order to finance and refinance the costs of designing and constructing its water collection, treatment and distribution system. The proceeds of the Series 2021 Bonds, together with other legally available funds of the Commission, will be used to (1) currently refund all of the outstanding Series 2015A Bonds and all of the outstanding Series 2015B Bonds (collectively, the “**Refunded Bonds**”); (2) fund a reserve fund deposit for the Series 2021 Bonds, and (3) pay costs of issuance of the Series 2021 Bonds and the incidental costs of refunding the Refunded Bonds.

* Preliminary, subject to change.

Security and Source of Payment

The Series 2021 Bonds will be secured on a parity basis with any Parity Bonds (defined herein) issued hereafter in accordance with the provisions of the Bond Resolution. The Commission has the right under the Bond Resolution to issue additional bonds on a parity with the Series 2021 Bonds payable from the same sources and secured by the same revenues as the Series 2021 Bonds, but only in accordance with and subject to the terms and conditions set forth in the Bond Resolution (the “**Parity Bonds**”). See the caption “**SECURITY FOR THE SERIES 2021 BONDS – The Bond Resolution – Parity Bonds**” herein. The Bond Resolution also allows the Commission to issue bonds specifically subordinate to the Series 2021 Bonds and the Parity Bonds. The term “**System Revenue Bonds**” as used herein shall mean the Series 2021 Bonds, any Parity Bonds, any other bonds secured by the Net Revenues (as defined in *Appendix A*).

The Commission’s primary source of funds for the payment of debt service is the Net Revenues from the Commission’s sale of water to its Water Purchasers pursuant to an Amended and Restated Water Contract (the “**Water Contract**”) dated as of _____, 2021. The Water Contract requires each Water Purchaser to pay a monthly charge for the purchase of a stated amount of water (an “**Entitlement Share**”) on a “take-or-pay” basis.

The monthly charge for each Water Purchaser primarily consists of (1) a minimum monthly use charge (the “**Minimum Use Charge**”) based on a base water rate (the “**Base Water Rate**”) calculated to cover Expenses (as defined in *Appendix A*) and debt service on the System Revenue Bonds and multiplied by each Water Purchaser’s Minimum Monthly Purchase (which is equal to 1/12th of the Water Purchaser’s annual Entitlement Share), and (2) an additional use charge (the “**Additional Use Charge**”) for water purchased in such month by a Water Purchaser in excess of the Entitlement Share for such Water Purchaser for the applicable Contract Year (as defined in *Appendix A*). If necessary, a Debt Service Shortfall Charge is imposed, allocated in proportion to the Water Purchaser’s Entitlement Share. The monthly charge is payable solely from the revenues of the respective Water Purchaser’s waterworks system or combined waterworks and sewerage system (the “**Local System**”), as applicable. See the caption “**FINANCIAL INFORMATION CONCERNING THE SYSTEM – System Water Rates and Revenues**” in *Appendix B* for the current Base Water Rate and the rate used to calculate the Additional Use Charge. The Water Purchasers have joint and several liability for the payment of any amount due under the Water Contract, payable solely from the revenues of each Water Purchaser’s Local System. See the caption “**SECURITY FOR THE SERIES 2021 BONDS – The Water Contract**” herein.

After the refunding of the Refunded Bonds, the Commission will have no bonds outstanding payable from the revenues of the System.

The Bond Resolution creates a Debt Service Reserve Fund that provides for a debt service reserve requirement of \$341,383,* which will be funded with proceeds of the Series 2021 Bonds.

The Commission has no taxing power. The taxing power of the Water Purchasers, the State of Missouri or any political subdivision thereof is not pledged to the payment of the Series 2021 Bonds either as to principal or interest. The Series 2021 Bonds do not constitute a general obligation of the Commission, the Water Purchasers, the State of Missouri or any political subdivision thereof, nor do the Series 2021 Bonds constitute an indebtedness of the Commission, the Water Purchasers, the State of Missouri or any political subdivision thereof within the meaning of any constitutional or statutory provision, limitation or restriction.

The scheduled payment of principal of and interest on the Series 2021 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the

* Preliminary, subject to change.

Series 2021 Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See “BOND INSURANCE” herein.

Risk Factors and Investment Considerations

The Series 2021 Bonds involve certain risks, and prospective purchasers should read the section captioned “**RISK FACTORS AND INVESTMENT CONSIDERATIONS.**” The Series 2021 Bonds may not be suitable investments for all persons. Before considering a purchase of the Series 2021 Bonds, prospective purchasers should carefully evaluate the risks and merits of an investment in the Series 2021 Bonds, should confer with their own legal and financial advisors, and should be able to bear the risk of loss of their investment in the Series 2021 Bonds.

Continuing Disclosure Information

The Commission has covenanted in a Continuing Disclosure Agreement (the “**Continuing Disclosure Agreement**”) between the District and Security Bank of Kansas City, as dissemination agent, that it will provide a copy of its audited financial statements, certain operating data, and notices of certain events to the Municipal Securities Rulemaking Board, in compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “**Rule**”). See the caption “**CONTINUING DISCLOSURE**” herein.

Definitions and Descriptions; Inspection of Documents

All capitalized terms used in this Official Statement, not defined in the text hereof, are defined under the caption “**DEFINITIONS AND SUMMARY OF CERTAIN TRANSACTION DOCUMENTS**” in *Appendix A* to this Official Statement. *Appendix A* contains summaries of the Bond Resolution and the Water Contract. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Bond Resolution and the Water Contract are qualified in their entirety by reference to such documents, copies of which may be viewed at the office of McLiney And Company, a division of SAMCO Capital Markets, Inc., 5201 Johnson Drive, Suite 415, Mission, KS 66205, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Series 2021 Bonds are qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Bond Resolution.

PLAN OF FINANCE

The Refunding

Proceeds of the Series 2021 Bonds, together with other funds of the Commission, will be used to currently refund the Refunded Bonds. The refunding will achieve debt service savings for the Commission. All of the Refunded Bonds are held by the United States Department of Agriculture, Rural Development (“**USDA**”). USDA has confirmed the redemption price of the Refunded Bonds, which shall be paid directly to USDA on the date of issuance of the Series 2021 Bonds. Upon such payment, the Refunded Bonds will no longer remain outstanding.

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Sources and Uses of Funds

The sources and uses of funds in connection with the issuance of the Series 2021 Bonds are as follows:

Sources of Funds:

Par amount of Bonds	\$
Net original issue premium / discount	
Prior issue reserve fund accounts	
Total	 \$

Uses of Funds:

Refunding deposit	\$
Deposit to Debt Service Reserve Fund	
Costs of Issuance (including Underwriter's discount)	
Total	 \$

DESCRIPTION OF THE SERIES 2021 BONDS

The following is a summary of certain terms and provisions of the Series 2021 Bonds, Reference is hereby made to the Series 2021 Bonds and the Bond Resolution for the detailed terms and provisions thereof.

General

The Series 2021 Bonds will be issued in the aggregate principal amount of \$7,495,000,* will be dated as of the date of delivery of and payment for such Series 2021 Bonds and will consist of fully-registered bonds in the denomination of \$5,000 or any integral multiple thereof. The Series 2021 Bonds will mature on September 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2021 Bonds is calculated at the rates per annum set forth on the inside cover page of this Official Statement, computed on the basis of a 360-day year of twelve 30-day months.

Interest on the Series 2021 Bonds will be payable semiannually on March 1 and September 1 in each year, beginning on September 1, 2021. Principal will be payable by check or draft mailed by the Paying Agent upon presentation and surrender of the Series 2021 Bonds by the Registered Owners thereof at the payment office of Security Bank of Kansas City, Kansas City, Kansas, Paying Agent. Interest shall be paid (a) to the Registered Owners of the Series 2021 Bonds as shown on the Bond Register at the close of business on the Record Date for such interest by check or draft mailed by the Paying Agent to the address of such Registered Owners shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by any Registered Owner, or (b) in the case of an interest payment to any Registered Owner of \$500,000 or more in aggregate principal amount of Series 2021 Bonds, by electronic transfer to such Registered Owner upon written notice given to the Paying Agent by such Registered Owner, not less than 5 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank (which shall be in the continental United States), address, ABA routing number, account name and account number to which such Registered Owner wishes to have such transfer directed.

* Preliminary, subject to change.

Redemption Provisions*

Optional Redemption By Commission. At the option of the Commission, Series 2021 Bonds may be called for redemption and payment prior to the Stated Maturity thereof on September 1, 2028, and thereafter in whole or in part at any time at the Redemption Price of 100% of the principal amount thereof, plus accrued interest thereon to the Redemption Date.

Mandatory Sinking Fund Redemption. The Series 2021 Bonds maturing in the year 20__ and 20__ (the “Term Bonds”) shall be subject to mandatory redemption by the Commission at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date, in the following principal amounts on September 1 of the following years:

Term Bonds Maturing September 1, 20__

<u>Year</u>	<u>Principal Amount</u>
-------------	-----------------------------

Term Bonds Maturing September 1, 20__

<u>Year</u>	<u>Principal Amount</u>
-------------	-----------------------------

† Final Maturity

Selection of Bonds for Redemption. Series 2021 Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. When less than all of the Outstanding Series 2021 Bonds of a series are to be redeemed, such Series 2021 Bonds shall be redeemed from the Stated Maturities selected by the Commission, and Series 2021 Bonds of less than a full Stated Maturity shall be selected by the Paying Agent in \$5,000 units of principal amount by lot or in such other equitable manner as the Paying Agent may determine.

Notice and Effect of Call for Redemption. In the event any of the Series 2021 Bonds are to be redeemed and paid prior to the maturity thereof the Commission, or the Paying Agent, acting on behalf of the Commission, shall give written notice of its intention to redeem and pay said Series 2021 Bonds on a specified date, the same being described by number and maturity, said notice to be given by first class mail addressed to the original purchaser of the Series 2021 Bonds and to the registered owner of each Series 2021 Bond, each of said notices to be mailed at least 30 days prior to the date fixed for redemption. Whenever any Series 2021 Bond is called for redemption and payment, all interest on such Series 2021 Bond shall cease from and after the date for which such call is made, provided funds are available for its payment at the price hereinbefore specified.

So long as DTC is effecting book-entry transfers of the Series 2021 Bonds, the Paying Agent shall provide the notices specified above to DTC. It is expected that DTC will, in turn, notify the DTC Participants and that the DTC Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a DTC Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Paying Agent, a DTC Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

* Preliminary, subject to change.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2021 Bonds.

DTC, the world’s largest securities depository, 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 and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. 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 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2021 Bond (“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 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 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 the Series 2021 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 2021 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The 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. Beneficial Owners of Series 2021 Bonds may wish to take certain steps to

augment the transmission to them of notices of significant events with respect to the Series 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2021 Bonds may wish to ascertain that the nominee holding the Series 2021 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2021 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 Commission or Paying Agent, 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 (nor its nominee), the Paying Agent, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Paying Agent, disbursement of such payments to Direct Participants shall 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 2021 Bonds at any time by giving reasonable notice to the Commission or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The Commission may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Commission believes to be reliable, but the Commission takes no responsibility for the accuracy thereof.

Transfer Outside Book-Entry Only System

If the Book-Entry Only System is discontinued the following provisions would apply. The Series 2021 Bonds are transferable only upon the Register upon presentation and surrender of the Series 2021 Bonds, together with instructions for transfer. Series 2021 Bonds may be exchanged for other Series 2021 Bonds of any denomination authorized by the Bond Resolution in the same aggregate principal amount, series, payment date and interest rate, upon presentation to the Paying Agent, subject to the terms, conditions and limitations and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, exchange or transfer.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Series 2021 Bonds, but neither the failure to print such numbers on any Series 2021 Bonds, nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and payment for any Series 2021 Bonds.

SECURITY FOR THE SERIES 2021 BONDS

Limited Obligations

The Series 2021 Bonds do not constitute a general obligation of the Commission, the Water Purchasers, the State of Missouri or any political subdivision thereof, nor will they constitute an indebtedness of the Commission, the Water Purchasers, the State of Missouri or any political subdivision thereof, within the meaning of any constitutional or statutory provision, limitation or restriction. The Commission has no taxing power. The taxing power of the Water Purchasers, the State of Missouri or any political subdivision thereof is not pledged to the payment of the Series 2021 Bonds either as to principal or interest.

The Series 2021 Bonds are special, limited obligations of the Commission, payable solely from, and secured as to the payment of principal and interest by a pledge of, the Net Revenues (as defined in *Appendix A*) derived by the Commission from the operation of the System.

The Bond Resolution

Any capitalized terms not otherwise defined herein are defined in Appendix A – “DEFINITIONS AND SUMMARY OF CERTAIN TRANSACTION DOCUMENTS”. The below summary of the Bond Resolution does not purport to be complete and is qualified in its entirety by reference thereto and to Appendix A.

Pledge of Net Revenues. The Series 2021 Bonds will be special obligations of the Commission payable solely from, and secured as to the payment of principal and interest by a pledge of, the Net Revenues, and the Commission has pledged the Net Revenues to the payment of the principal of and interest on the Series 2021 Bonds.

The covenants and agreements of the Commission contained in the Bond Resolution and in the Series 2021 Bonds shall be for the equal benefit, protection and security of the legal owners of any or all of the Series 2021 Bonds, all of which Series 2021 Bonds shall be of equal rank and without preference or priority of one Series 2021 Bond over any other Series 2021 Bond in the application of the funds pledged to the payment of the principal of and the interest on the Series 2021 Bonds, or otherwise, except as to rate of interest, date of maturity and right of prior redemption as provided in the Bond Resolution. The Series 2021 Bonds shall stand on parity and be equally and ratably secured with respect to the payment of principal and interest from the Net Revenues and in all other respects with any Parity Bonds. The Series 2021 Bonds shall not have any priority with respect to the payment of principal or interest from said Net Revenues or otherwise over the Parity Bonds and the Parity Bonds shall not have any priority with respect to the payment of principal or interest from said net income and revenues or otherwise over the Series 2021 Bonds.

Rate Covenant. The Commission in accordance with and subject to applicable legal requirements will fix, establish, maintain and collect such rates and charges for the use and services furnished by or through the System, including rates and charges under the Water Contract, as will produce Revenues sufficient to (a) pay the Expenses of the System; (b) pay the principal of and interest on the Series 2021 Bonds as and when the same become due; and (c) provide reasonable and adequate reserves for the payment of the Series 2021 Bonds and the

interest thereon and for the protection and benefit of the System as provided in the Bond Resolution. The Commission will require the prompt payment of accounts for service rendered by or through the System and will promptly take whatever action is legally permissible to enforce and collect delinquent charges. The Commission will, from time to time as often as necessary, in accordance with and subject to applicable legal requirements, revise the rates and charges aforesaid in such manner as may be necessary or proper so that the Net Revenues Available for Debt Service will be sufficient to cover such obligations. If in any fiscal year Net Revenues Available for Debt Service are an amount less than as hereinbefore provided, the Commission will immediately employ a Consultant to make recommendations with respect to such rates and charges. A copy of the Consultant's report and recommendations shall be filed with the Secretary of the Commission and the original purchaser of the Series 2021 Bonds and shall be furnished to any Registered Owner of the Series 2021 Bonds requesting a copy of the same, at the cost of such Registered Owner. The Commission shall, to the extent feasible and subject to applicable law, follow the recommendations of the Consultant.

Covenant to Enforce Water Contract. The Commission shall, at the expense of the System, take all lawful action within its control to enforce the performance of the Water Contract by the Water Purchasers (or to enforce any available remedies for the lack of such performance) and to collect all amounts due to the Commission under the Water Contract at the times and in the manner required thereunder.

No Senior Bonds. The Commission covenants and agrees under the Bond Resolution that so long as any of the Series 2021 Bonds remain Outstanding, the Commission will not issue any additional bonds or incur or assume any other debt obligations appearing as liabilities on the balance sheet of the Commission for the payment of moneys determined in accordance with accounting principles generally accepted in the United States of America including capital leases as defined by accounting principles generally accepted in the United States of America, payable out of the Net Revenues or any part thereof which are superior to the Series 2021 Bonds.

Parity Bonds. The Commission covenants and agrees under the Bond Resolution that so long as any of the Series 2021 Bonds remain Outstanding, it will not issue any additional Parity Bonds payable out of the Net Revenues or any part thereof which stand on a parity or equality with the Series 2021 Bonds ("**Parity Bonds**") unless the following conditions (in addition to any conditions set forth in the Water Contract) are met:

- (a) The Commission shall not be in default in the payment of principal of or interest on any Series 2021 Bonds or any Parity Bonds at the time outstanding or in making any payment at the time required to be made into the respective funds and accounts created by and referred to in the Bond Resolution or any Parity Resolution (unless such additional revenue bonds or obligations are being issued to provide funds to cure such default); and
- (b) The Commission shall obtain either of the following:
 - (1) A certificate of an authorized official of the Commission to the effect that the Net Revenues Available for Debt Service derived by the Commission from the operation of the System, for the fiscal year immediately preceding the issuance of additional bonds shall have been equal to at least **110%** of the average annual Debt Service Requirements required to be paid out of said revenues in any succeeding fiscal year on account of both principal (at maturity or upon mandatory redemption) and interest becoming due with respect to all System Revenue Bonds of the Commission, including the additional bonds proposed to be issued. In determining the average annual Net Revenues Available for Debt Service, the Commission may obtain a report of a Consultant who may adjust said Net Revenues Available for Debt Service by adding thereto, in the event the Commission has made any increase in rates for the use and services of the System and such increase has not been in effect during all of the fiscal year immediately preceding the issuance of additional bonds, the amount,

as estimated by the Consultant, of the additional Net Revenues Available for Debt Service which would have resulted from the operation of the System during said preceding fiscal year had such rate increase been in effect for the entire period.

- (2) A report of a Consultant to the effect that the Net Revenues Available for Debt Service projected to be derived by the Commission from the operation of the System for the fiscal year immediately following the issuance of such additional bonds, or if improvements to the System are contemplated, for the fiscal year immediately following the fiscal year in which the improvements to the System, the cost of which is being financed by such additional bonds, are to be in commercial operation, shall be equal to at least **110%** of the average annual Debt Service Requirements required to be paid out of said revenues in any succeeding fiscal year following such commercial operation on account of both principal (at maturity or upon mandatory redemption) and interest becoming due with respect to all System Revenue Bonds of the Commission, including the additional bonds proposed to be issued. In determining the projected Net Revenues Available for Debt Service, the Consultant may adjust said Net Revenues by adding thereto any estimated increase in Net Revenues Available for Debt Service resulting from any increase in rates for the use and services of the System which, in the opinion of the Consultant, are economically feasible and reasonably considered necessary based on projected operations of the System.

The Commission may issue additional Parity Bonds to be purchased by the United States Department of Agriculture by complying with either (1) or (2), above, provided that the required coverage ratio for such purpose shall be reduced to **100%**.

Additional revenue bonds of the Commission issued under the conditions set forth above shall stand on a parity with the Series 2021 Bonds and shall enjoy complete equality of lien on and claim against the Net Revenues of the System with the Series 2021 Bonds, and the Commission may make equal provision for paying said bonds and the interest thereon out of the Revenue Fund and may likewise provide for the creation of reasonable debt service funds and debt service reserve funds for the payment of such additional bonds and the interest thereon out of moneys in the Revenue Fund.

Junior Bonds and Other Junior Obligations. The Bond Resolution does not prohibit or restrict the right of the Commission to issue additional revenue bonds or other revenue obligations for any lawful purpose in connection with the operation of the facility and benefiting the System and to provide that the principal of and interest on said revenue bonds or obligations shall be payable out of the revenues of the System, provided at the time of the issuance of such additional revenue bonds or obligations the Commission is not in default in the performance of any covenant or agreement contained in the Bond Resolution (unless such additional revenue bonds or obligations are being issued to provide funds to cure such default), provided that any conditions set forth in the Water Contract are met, and provided further that such additional revenue bonds or obligations shall be junior and subordinate to the Series 2021 Bonds so that if at any time the Commission shall be in default in paying either interest on or principal of the Series 2021 Bonds, or if the Commission is in default in making any payments required to be made by it under the provisions of the Bond Resolution, the Commission shall make no payments of either principal of or interest on said junior and subordinate revenue bonds or obligations until said default or defaults be cured. In the event of the issuance of any such junior and subordinate revenue bonds or obligations, the Commission, subject to the provisions aforesaid, may make provision for paying the principal of and interest on said revenue bonds or obligations out of moneys in the Revenue Fund.

Refunding Bonds. The Commission shall have the right, without complying with the above provisions, to refund any of the Series 2021 Bonds or any Parity Bonds under the provisions of any law then available to provide present value debt service savings for the Commission, and the refunding bonds so issued

shall enjoy complete equality of pledge with any of the Series 2021 Bonds and any Parity Bonds which are not refunded, if any, upon the revenues of the System.

Debt Service Reserve Fund. The Bond Resolution creates a Debt Service Reserve Fund that provides for a debt service reserve requirement of \$341,383,* which will be funded with proceeds of the Series 2021 Bonds. Except as otherwise provided in the Bond Resolution, all amounts paid and credited to the Debt Service Reserve Fund shall be expended and used by the Commission solely to prevent any default in the payment of interest on or principal of the Series 2021 Bonds if the moneys in the Debt Service Fund are insufficient to pay the interest on or principal of said Series 2021 Bonds as they become due. So long as the Debt Service Reserve Fund aggregates the Debt Service Reserve Requirement, no payments into said fund shall be required, but if the Commission is ever required to expend and use a part of the moneys in said fund for the purpose authorized and such expenditure reduces the amount of said fund below the Debt Service Reserve Requirement, or if at the time of valuation of Permitted Investments in the Debt Service Reserve Fund, the amount of cash and the value of Permitted Investments in the Debt Service Reserve Fund is less than 95% of the Debt Service Reserve Requirement, the Commission shall, after all payments and credits required at the time to be made prior thereto under the Bond Resolution have been made, make substantially equal monthly payments into said fund beginning on the first day of the month subsequent to such expenditure or valuation to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement within the next twelve months.

A summary of the Bond Resolution is contained in *Appendix A* to this Official Statement. Such summary does not purport to be complete and is qualified in its entirety by reference to the Bond Resolution.

The Water Contract

General. The Commission and the Water Purchasers have entered into the Water Contract, which provides for the Commission to furnish water to each Water Purchaser from the System and for each Water Purchaser to purchase such Water Purchaser’s Entitlement Share. The Water Contract is a “take-or-pay” agreement which obligates each Water Purchaser to pay a monthly Minimum Use Charge regardless of the amount of water it uses, but solely from the revenues of its Local System. The validity of such “take-or-pay” agreements in Missouri was upheld by the Missouri Supreme Court in *State ex rel. Mitchell v. City of Sikeston*, 555 S.W.2d 281 (Mo. banc 1977).

The Entitlement Share and Minimum Monthly Purchase of each current Water Purchaser is as follows:

<i>Water Purchaser</i>	<i>Entitlement Share (gallons, annually)</i>	<i>Minimum Monthly Purchase (gallons, monthly)</i>
City of Fayette, Missouri	94,601,000	7,883,417
City of New Franklin, Missouri	25,009,000	2,084,083
Consolidated Public Water Supply District #1 of Howard County, Missouri	50,624,000	4,218,667

Monthly Charges. The monthly charge for each Water Purchaser primarily consists of (1) a minimum monthly use charge (the “**Minimum Use Charge**”) based on a base water rate (the “**Base Water Rate**”) calculated to cover Expenses (defined in *Appendix A*) of the System and debt service on the System Revenue Bonds and multiplied by each Water Purchaser’s Minimum Monthly Purchase (which is equal to 1/12th of the Water Purchaser’s annual Entitlement Share), and (2) an additional use charge (the “**Additional Use Charge**”) for water purchased in such month by a Water Purchaser in excess of the Entitlement Share for such Water Purchaser for the applicable Contract Year (as defined in *Appendix A*). If necessary, a Debt Service Shortfall

* Preliminary, subject to change.

Charge is imposed, allocated in proportion to the Water Purchaser's Entitlement Share. A Wheeling Charge is added for any water that must be delivered through transmission or distribution lines owned by neither the Commission nor the Water Purchaser. Finally, the Commission has the authority under the Water Contract to add charges for any additional deposits required by the Bond Resolution or determined necessary by the Commission. See **"THE SYSTEM"** and **"FINANCIAL INFORMATION CONCERNING THE SYSTEM"** in *Appendix B*.

Source of Water Purchaser's Payment. The obligation of each Water Purchaser to make payments under the Water Contract is limited to payments from revenues of such Water Purchaser's Local System and available Local System reserves. Each Water Purchaser has covenanted in the Water Contract to establish, maintain and collect rates and charges for its Local System so as to provide revenues at least sufficient, together with available Local System reserves, to enable such Water Purchaser to (a) make all payments required to be made by it under the Water Contract; (b) pay and discharge when due all bonds, notes, leasehold obligations (subject, however, to any required annual budgeting and appropriation) and other obligations of the Water Purchaser payable from the revenues of its Local System, and satisfy any covenants with respect thereto; (c) pay costs of operation and maintenance of its Local System necessary in accordance with prudent utility practice; and (d) pay all other lawful charges against or liens on the revenues of its Local System. See *Appendix A - "DEFINITIONS AND SUMMARY OF CERTAIN TRANSACTION DOCUMENTS"* for a more complete description of the Water Contract.

Term of the Water Contract. The Water Contract shall terminate on the later of (1) December 31, 2055, or (2) the date on which all System Revenue Bonds and the interest thereon have been paid in full or provision for the payment thereof shall have been made in accordance with the documents under which such System Revenue Bonds were issued. The Water Contract may be renewed or extended for such term or terms as may be agreed upon by the Commission and the Water Purchasers.

Joint and Several Liability. The Water Contract provides that each Water Purchaser agrees to be held jointly and severally liable if another Water Purchaser defaults in the payments required under the Water Contract. If a Purchaser defaults in the payment of its Minimum Use Charge or Debt Service Shortfall Charge, the Commission may: (1) notify the other Water Purchasers in writing of the default and stating the Commission's intent to bill each remaining Water Purchaser an additional amount of Minimum Use Charge and/or Debt Service Shortfall Charge as a result of the default; and (2) so long as the default continues, bill each remaining Water Purchaser for a proportionate amount of the Minimum Use Charge and/or Debt Service Shortfall Charge made necessary by the amount that remains unpaid, based on each remaining Purchaser's Entitlement Share. The remaining Water Purchasers shall be required to accept and pay for and shall be entitled proportionately to use or otherwise dispose of the water that was to have been purchased by the defaulting Water Purchaser. If a Water Purchaser defaults in the payment of any other amount due under the Water Contract, the Commission may: (1) notify all other Water Purchasers in writing of the default, stating the Commission's intent to bill each remaining Water Purchaser as a result of the default; and (2) adjust the Water Supply Costs and/or Wheeling Charges to account for the unpaid amount.

Since the Commission's creation, no Water Purchaser has ever been in default under the Water Contract.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2021 Bonds, Build America Mutual Assurance Company ("**BAM**") will issue its Municipal Bond Insurance Policy for the Series 2021 Bonds (the "**Policy**"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2021 Bonds when due as set forth in the form of the Policy included as *Appendix E* to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2021 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2021 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2021 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Series 2021 Bonds, nor does it guarantee that the rating on the Series 2021 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$485.4 million, \$160.7 million and \$324.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Series 2021 Bonds or the advisability of investing in the Series 2021 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "**BOND INSURANCE**".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Series 2021 Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2021 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2021 Bonds, whether at the initial offering or otherwise.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

The following is a discussion of certain risks that could affect payment of the principal of and interest on the Series 2021 Bonds. Such discussion is not, and is not intended to be, exhaustive and should not be considered as a complete description of all risks that could affect such payment. Prospective purchasers of the Series 2021 Bonds should analyze carefully all the information contained in this Official Statement, including the appendices hereto, and additional information in the form of the completed documents summarized herein and in the appendices hereto, copies of which are available upon request.

General

The purchase of the Series 2021 Bonds involves certain investment risks which are discussed throughout this Official Statement. The Series 2021 Bonds may not be suitable investments for all persons, and prospective purchasers should be able to evaluate the risks and merits of an investment in the Series 2021 Bonds before considering a purchase of the Series 2021 Bonds. Accordingly, each prospective purchaser of the Series 2021 Bonds should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision.

The Commission's ability to derive Net Revenues from the use and operation of the System in amounts sufficient to pay debt service on the Series 2021 Bonds depends upon many factors, many of which are not subject to the control of the Commission. Factors such as changes in demographics, downturns in the state and local economies, damage and destruction of the System or the Local Systems of Water Purchasers, acts of God or changes to environmental law could have an adverse effect on the ability of the System to generate sufficient Revenues to pay debt service or the ability of the Local Systems of the Water Purchasers to make payments under the Water Contract. Described below are certain factors that could affect future use and operation of the System and certain other related matters.

Limited Obligations

The Series 2021 Bonds are special, limited obligations of the Commission, payable solely from and are secured by a pledge of the Net Revenues generated from operation of the System. The Series 2021 Bonds do not constitute a general obligation of the Commission, the Water Purchasers, the State of Missouri or any political subdivision thereof and do not constitute an indebtedness of the Commission, the Water Purchasers, the State of Missouri or any political subdivision thereof within the meaning of any constitutional or statutory provision, limitation or restriction. The taxing power of the Commission, the Water Purchasers, the State of Missouri or any political subdivision is not pledged to the payment of the Series 2021 Bonds or the interest thereon. The Commission has no taxing power.

Security for the Series 2021 Bonds

The Bondholders have no lien on or security interest in any of the physical assets of the Commission which comprise the System. See *Appendix A - "DEFINITIONS AND SUMMARY OF CERTAIN TRANSACTION DOCUMENTS"* herein. Although the Commission has agreed in the Bond Resolution to charge rates sufficient to pay, among other things, the principal of, redemption premium, if any, and interest on the Series 2021 Bonds and any Parity Bonds (see *Appendix A - "DEFINITIONS AND SUMMARY OF CERTAIN TRANSACTION DOCUMENTS"* herein), there is no assurance that the Commission will be successful in collecting sufficient Revenues to pay such debt service on a timely basis, because of: (a) adverse economic conditions affecting the ability of the Water Purchasers to pay amounts owed to the Commission under the Water Contract; (b) unexpected repairs, replacements or improvements to the System or the Water Purchaser's Local System; (c) increased operational requirements imposed by state or federal law; or (d) other unanticipated circumstances.

No Mortgage on the System

Payment of the principal of and interest on the Series 2021 Bonds is not secured by any deed of trust, mortgage, or other lien on any real or personal property. The Series 2021 Bonds are payable solely from Net Revenues derived from the System.

BAM Control of Remedies

The scheduled payment of principal of and interest on the Series 2021 Bonds when due will be guaranteed under a municipal bond insurance policy (the "Policy") to be issued concurrently with the delivery of the Series 2021 Bonds by BAM. The principal risk that could affect payment of the Series 2021 Bonds is the inability or refusal of BAM to perform its duties under the Policy. Under no circumstances can the maturities of the Series 2021 Bonds be accelerated except with the consent of BAM. Furthermore, so long as BAM performs its obligations under the Policy, BAM may direct, and its consent must be obtained before the exercise of, any remedies to be undertaken under the Resolution. In the event that BAM is unable to make payments on the Series 2021 Bonds as such payments become due, the Series 2021 Bonds are payable solely from the Net Revenues. See "APPENDIX E – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" and "APPENDIX A – DEFINITIONS AND SUMMARY OF CERTAIN TRANSACTION DOCUMENTS – SUMMARY OF THE BOND RESOLUTION – Bond Insurance Provisions."

Debt Service Reserve Fund

A Debt Service Reserve Fund has been established for the benefit of the Registered Owners of the Series 2021 Bonds. Amounts in the Debt Service Reserve Fund are to be used to pay principal of and interest on the Series 2021 Bonds to the extent of any deficiency in the Debt Service Fund. There can be no assurance that any amounts on deposit in the Debt Service Reserve Fund will be available if needed for payment of Series 2021 Bonds in the full amount of the Debt Service Reserve Requirement because (a) of fluctuations in the market value of any securities that may be deposited therein, (b) the System may not generate sufficient revenues to replenish the Debt Service Reserve Fund to the Debt Service Reserve Requirement if required under the Bond Resolution (see *Appendix A – “DEFINITIONS AND SUMMARY OF CERTAIN TRANSACTION DOCUMENTS – Summary of the Bond Resolution – Debt Service Reserve Fund”*).

Matters Relating to Enforceability

The enforceability of the Bond Resolution and the Water Contract is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors’ rights generally and liens securing such rights, the police powers of the State of Missouri, and the exercise of judicial authority by state or federal courts.

The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the Bond Resolution and the Water Contract. See *Appendix A – “DEFINITIONS AND SUMMARY OF CERTAIN TRANSACTION DOCUMENTS”* herein. The remedies available to the owners of the Series 2021 Bonds upon an event of default under the Bond Resolution are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. The Registered Owners of not less than 10% in principal amount of the Series 2021 Bonds at the time Outstanding may seek certain judicial remedies to specifically enforce any agreement or covenant contained in the Bond Resolution. However, such Registered Owners may not be able to obtain judicial enforcement of such remedies. Moreover, no assurance is made that any revenues obtained from judicial enforcement will be sufficient to pay the principal of, redemption premium, if any, or interest on the Series 2021 Bonds and any Parity Bonds.

Under existing constitutional and statutory law and judicial decisions, including specifically the United States Bankruptcy Code, 11 U.S.C. § 10 et seq., the remedies provided in the Bond Resolution may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds and the Bond Resolution will be qualified to the extent that the enforceability of certain legal rights related to the Series 2021 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Defaults with Respect to Water Purchaser’s Obligations

Under the Water Contract, each Water Purchaser is required to “take-or-pay” for its contracted water supply. However, such take-or-pay obligation is payable solely from the revenues of such Water Purchaser’s Local System. Various events, including natural disasters, changes in demographics, the introduction of competing water sources or defaults under a Water Purchaser’s obligations could occur which would adversely affect the ability of such Water Purchaser to generate sufficient revenues to satisfy its obligations under the Water Contract. Although amounts payable by a Water Purchaser to the Commission under the Water Contract are considered operation and maintenance expenses of such Water Purchaser and are thus paid before amounts payable under the Water Purchaser’s outstanding indebtedness, a default by a Water Purchaser in the payment of its obligations under the instruments securing such indebtedness could result in the entry by the holders of such indebtedness to take possession of Water Purchaser’s property pledged to its payment. In such an event, facilities necessary to the continued operation of a Water Purchaser in a manner which would generate sufficient revenues to satisfy the Water Purchaser’s obligations under the Water Contract might not be

available. The only remedy available under the Water Contract is an action to enforce its terms. The Water Purchasers have joint and several liability for the payment of all amounts due under the Water Contract. The holders of the Series 2021 Bonds have no claim on any assets of the Water Purchasers.

Events Affecting the System

The ability of the Commission to derive Revenues from the operation of the System is dependent upon the ability of both the Commission and the Water Purchasers to comply with the terms of the Water Contract. Therefore, events which adversely affect either the System or a Water Purchaser's Local System could adversely affect the ability of the System to generate sufficient Revenues to make payments on the Series 2021 Bonds. Although the Commission and the Water Purchasers will make certain covenants in the Bond Resolution and the Water Contract, respectively, relating to the continued operation and maintenance of the System and the respective Local Systems, there can be no assurance that unforeseen factors will not adversely affect the ability of the System to generate anticipated Revenues.

Availability of Raw Water

The sole source of water for the System is two wells, which have been in operation since 2017. Known concerns for the water supply include potential flooding (due to the System's close proximity to the Missouri River) and access to electricity during flooding. Electric transmission wires that support the System run along Missouri Highway 40 and County Road 345 to the wells. During flooding in 2019, water covered the road to the wells and almost reach the wells themselves. Ameren is the only power source available to the System.

Competition

The Commission's service area currently consists of a portion of Howard County, Missouri ("**Howard County**"), located in north central Missouri. Not all cities and water providers within Howard County purchase their water supply from the Commission. The City of Glasgow produces its own water with a lime softening plant and two wells, and also provides water to Howard County Public Water Supply District No. 2. The City of Armstrong and other surrounding areas are provided water by Thomas Hill Public Water Supply District No. 1, which in turn purchases water from Clarence Cannon Wholesale Water Commission, a larger water commission in northeast Missouri.

There is no assurance that factors will not cause the Water Purchasers to leave the Commission for alternate sources of water, including wholesale purchases, or impact any future expansion of the System or the addition of new Water Purchasers to the Commission. As discussed herein under *Appendix A - "DEFINITIONS AND SUMMARY OF CERTAIN TRANSACTION DOCUMENTS;"* however, the Commission will have the ability to bring suit against the Water Purchasers to enforce the Water Contract.

Certain Other Risks

The Commission's ability to generate Net Revenues from the use and operation of the System in amounts sufficient to pay debt service on the Series 2021 Bonds depends upon many factors. Many of these factors, such as the ability of the Water Purchasers to comply with the terms of the Water Contract, cannot be controlled by the Commission. The following events, which can negatively affect either the System or a Water Purchaser's Local System, could adversely affect the Commission's ability to pay principal and interest on the Series 2021 Bonds:

1. *Management.* Changes in key management personnel of the Commission or a Water Purchaser may affect the operations of the System or a Local System.

2. *Competition from Other Service Providers.* Missouri law does not prohibit other providers of water and sewer services from operating within the boundaries of the Commission or any Water Purchaser. However, for-profit providers of water and sewer services are subject to regulation by the Missouri Public Service Commission (the “PSC”), and are limited to operations within certificated service areas. The Commission’s service area is rural and therefore sparsely populated. For-profit providers typically compete in service areas that are more densely populated and growing, thereby requiring less capital investment and decreasing the time to realize an acceptable return on investment. However, there can be no assurance that, at some time in the future, the PSC will not permit such competition.

Increased competition within the Commission’s and the Water Purchasers’ boundaries could adversely affect their ability to impose rates or otherwise generate revenues at a level sufficient to meet its debt obligations. Nevertheless, there is no assurance that circumstances will not (a) cause the Water Purchasers to leave the Commission for alternate sources of water, including wholesale purchases, (b) impact future expansion of the System or (c) impact the addition of new Water Purchasers to the Commission. See the subheading “**Competition,**” above.

3. *Future Economic Conditions.* Increased unemployment or other adverse economic conditions or changes in demographics in the service area of the Commission and the Water Purchasers; cost and availability of energy; an inability to control expenses in periods of inflation and difficulties in increasing charges may affect the revenues of the Commission and the Water Purchasers. A Water Purchaser could encounter difficulties in providing water service to its customers upon acceptable financial terms which could affect the financial performance of the Local System of the Water Purchaser.

4. *Loss or Damage of Property.* The Bond Resolution requires the Commission to obtain insurance with respect to the System and its operations against such casualties, contingencies and risks (including but not limited to property and casualty, fire and extended coverage insurance upon all of the properties forming a part of the System insofar as the same are of an insurable nature, public liability, worker's compensation and employee dishonesty insurance), such insurance to be of the character and coverage and in such amounts as would normally be carried by other enterprises engaged in similar activities of comparable size and similarly situated. The Water Contract requires each Water Purchaser to obtain such types of insurance as are in accordance with prudent utility practice and as are required by all agreements to which the Water Purchaser is a party. There can be no assurance either as to the adequacy of or timely payment under insurance in effect at any time. Increases in the cost of general liability insurance coverage and the amounts paid in settlement of liability claims not covered by insurance may affect the revenues of the Commission and the Water Purchasers.

The Water Contract requires each Water Purchaser to pay the Minimum Use Charge amounts required therein whether or not such Water Purchaser actually draws the allotted water. However, in the event of loss or damage to a Water Purchaser’s property adversely affecting the ability of such Water Purchaser to deliver water to its customers, such Water Purchaser may experience difficulty in generating sufficient revenues to make the payments required under the Water Contract. The Water Purchasers have joint and several liability for the payment of the Minimum Use Charges under the Water Contract, payable solely from the revenues of each Water Purchaser’s Local System. Such loss or damage could come as a result of weather conditions and other casualty losses, condemnation, forfeiture, default under the terms of such Water Purchaser’s properties subject to lease, or otherwise. In the event of damage to or destruction of such property, the proceeds from any insurance policies or other sources maintained by the Water Purchasers may not be sufficient to repair or replace such property.

5. *Environmental Regulation.* Utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that facilities in operation will remain subject to the regulations currently in effect, will always be in compliance with further regulations, or

will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of facilities not in compliance. Legislative, regulatory, administrative or enforcement action involving environmental controls could adversely affect the operations of the facilities of the Commission and the Water Purchasers. For example, if property of the Commission is determined to be contaminated by hazardous materials, the Commission and the Water Purchasers could be liable for significant clean-up costs even if they were not responsible for the contamination.

6. *Natural Disasters.* The occurrence of natural disasters, such as floods, droughts, tornadoes or earthquakes, could damage the facilities of the Commission and the Water Purchasers, affect water supply, interrupt services or otherwise impair operations and the ability of the Commission and the Water Purchasers to produce revenues.

7. *Miscellaneous Factors.* The utility industry in general has experienced, and may in the future experience, problems including (a) the effects of inflation upon the cost of operation of facilities, (b) uncertainties in predicting future demand requirements, (c) increased financing requirements coupled with the increased cost and uncertain availability of capital, and (d) compliance with rapidly changing environmental, safety, rate and licensing regulations and requirements.

If revenues, receipts, reserves and other funds are not sufficient to provide for the payment of the costs of operating the System, including the payment of principal of and interest on the Series 2021 Bonds and debt service on other revenue obligations of the Commission standing on a parity with the Series 2021 Bonds in the future, default in the payment of the Series 2021 Bonds could occur.

Amendment of the Bond Resolution

Certain amendments to the Bond Resolution may be made with consent of the owners of not less than a majority in principal amount of the Series 2021 Bonds then outstanding. Such amendments may adversely affect the security of the owners of the Series 2021 Bonds.

Additional Bonds

Under the Bond Resolution, the Commission may issue additional bonds in certain circumstances. Any additional bonds may be secured on a parity basis with the Series 2021 Bonds if certain tests are met, or may be junior and subordinate to the Series 2021 Bonds. The issuance of such additional System Revenue Bonds may have a dilutive effect on the debt service coverage ratio for the owners of the Series 2021 Bonds. See the discussion of additional bonds and the conditions on which they may be issued under the section captioned “**SECURITY FOR THE SERIES 2021 BONDS – The Bond Resolution**” herein.

Loss of Premium from Prepayment

Any person who purchases a Series 2021 Bond at a price in excess of its principal amount or who holds such Series 2021 Bond trading at a price in excess of par should consider the fact that the Series 2021 Bonds are subject to redemption prior to maturity at the redemption prices described herein in the event such Series 2021 Bonds are redeemed prior to maturity. See the caption “**DESCRIPTION OF THE SERIES 2021 BONDS – Redemption Provisions**” herein.

Risk of IRS Audit

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine the legitimacy of the tax status of such obligations. No assurance can be given that the Internal

Revenue Service will not commence an audit of the Series 2021 Bonds. Owners of the Series 2021 Bonds are advised that, if an audit of the Series 2021 Bonds were commenced, in accordance with its current published procedures, the Internal Revenue Service is likely to treat the Commission as the taxpayer, and the Owners of the Series 2021 Bonds may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Series 2021 Bonds during the pendency of the audit, regardless of the ultimate outcome of the audit.

Taxability

The Series 2021 Bonds are not subject to redemption nor is the interest rate subject to adjustment in the event of a determination by the Internal Revenue Service or a court of competent jurisdiction that the interest paid or to be paid on any Series 2021 Bond is or was includible in the gross income of the owners of the Series 2021 Bonds for federal income tax purposes.

Secondary Market and Prices

There is no assurance that a secondary market will develop for the purchase and sale of the Series 2021 Bonds. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and changes in operating performance of the entities operating the facilities subject to the municipal securities. Municipal securities are generally viewed as long-term investments, subject to material unforeseen changes in the investor's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

Defeasance Risks

When any or all of the Series 2021 Bonds or the interest payments thereon have been paid and discharged, then the requirements contained in the Bond Resolution and the pledge of revenues made thereunder and all other rights granted thereby shall terminate with respect to the Series 2021 Bonds so paid and discharged. Series 2021 Bonds or the interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Bond Resolution if there has been deposited with the Paying Agent, or other commercial bank or trust company authorized to do business in the State of Missouri and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Series 2021 Bonds, in trust for and irrevocably appropriated thereto, money and/or Defeasance Obligations which, together with the interest to be earned thereon, will be sufficient for the payment of the principal or Redemption Price of said Bonds, and/or interest to accrue on such Bonds to the Stated Maturity or Redemption Date, as the case may be, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments. Defeasance Obligations include, in addition to cash and obligations pre-refunded with cash, bonds, notes, certificates of indebtedness, treasury bills and other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America. Historically, such United States obligations have been rated in the highest rating category by the rating agencies. There is no legal requirement in the Bond Resolution that Defeasance Obligations consisting of such United States obligations be or remain rated in the highest rating category by any rating agency. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and that could include the rating of Series 2021 Bonds defeased with Defeasance Obligations to the extent the Defeasance Obligations have a change or downgrade in rating.

Potential Risks Relating to COVID-19

A novel strain of coronavirus (which leads to the disease known as “COVID-19”), has spread throughout the world and has been characterized by the World Health Organization as a pandemic. The impact of the COVID-19 pandemic on the U.S. economy is expected to be broad based and to negatively impact national, state and local economies. In response to such expectations, Former President Trump on March 13, 2020, declared a “national emergency,” which, among other effects, allows the executive branch to disburse disaster relief funds to address the COVID-19 pandemic and related economic dislocation. On March 13, 2020, the Governor of the State of Missouri (the “State”) signed an Executive Order declaring a state of emergency in the State in response to COVID-19. On April 24, 2020, the Governor signed another Executive Order extending the state of emergency in the State through June 15, 2020. On June 11, 2020, the Governor signed an Executive Order extending the state of emergency in the State through December 30, 2020, and on November 19, 2020, the Governor signed an Executive Order extending the state of emergency in the State through March 31, 2021. The stated purpose of the Executive Order is to allow more flexibility in utilizing resources and deploying them around the State where they are most appropriate, including allowing the Governor to waive certain State laws and regulations where necessary. On April 3, 2020, the Governor of the State issued a statewide “Stay Home Missouri” order for all State residents (the “State Order”), which began on April 6, 2020, and ended on May 4, 2020. The State Order required all State residents to avoid leaving their residences unless necessary and to practice social distancing when they need to travel outside their residences to work, access groceries, prescriptions, health care, and other necessities, or to engage in an outdoor activity. On April 27, 2020, the Missouri Department of Health and Senior Services (“DHS”) issued the “Show Me Strong Recovery Order,” which went into effect on May 4, 2020 and ended on May 31, 2020. On May 28, 2020, DHS issued the “Economic Reopening Order,” which went into effect on June 1, 2020 and ended on June 15, 2020. Both DHS orders provided guidelines for individuals and businesses in the State to gradually reopen economic and social activity. The State remains under a “State of Emergency” through March 31, 2021 per Executive Order 20-19; however, the State is not currently under a statewide public health order. Despite the expiration of statewide orders, cities and counties have the ability, and continue, to impose local public health orders restricting economic activities within the State.

The proliferation of COVID-19 throughout the service area of the Commission and the surrounding region may adversely impact the amount of Net Revenues the Commission generates from the operation of the System or the amount of revenues that the Water Purchasers can generate from their Local Systems if the economic ramifications of the spread of COVID-19 have a lasting impact on the economy in and around the Commission’s service area. In addition, the Governor has ordered the suspension of disconnection of utility services for those unable to pay during the COVID-19 outbreak. Significant instances of late payment or nonpayment could result in Net Revenues that are insufficient to pay debt service on the Series 2021 Bonds. Developments regarding COVID-19 continue to occur on a daily basis and the extent to which COVID-19 will impact the general operations of the Commission, the Water Purchasers, the operation of the System and the Local Systems, and the ability of the Commission to generate sufficient Net Revenues from the operation of the System is highly uncertain and cannot be predicted. The Series 2021 Bonds do not constitute a general obligation of the Commission or the Water Purchasers and do not constitute an indebtedness of any governmental entity within the meaning of any constitutional or statutory provision, limitation or restriction, and no taxing power is pledged to the payment of the Series 2021 Bonds or the interest thereon. See the section captioned “**SECURITY FOR THE SERIES 2021 BONDS**” in this Official Statement.

Cybersecurity Risks

The Commission and the Water Purchasers rely on information systems to provide security for processing, transmission and storage of confidential and other credit information as well as the operation of the System and the Local Systems. It is possible that security measures will not prevent improper or unauthorized access or disclosure of personally identifiable information or operating systems resulting from cyber-attacks. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create disruptions or shutdowns of the Commission and/or a Water Purchaser and the services they provide, including services provided by the System and/or Local Systems, or the unauthorized disclosure of confidential and other credit information. If personal or otherwise protected information is improperly accessed, tampered with or distributed, the Commission or a Water Purchaser may incur significant costs to remediate possible injury to the affected persons, and the Commission or a Water Purchaser may be subject to sanctions and civil penalties if it is found to be in violation of federal or state laws or regulations. Any failure to maintain proper functionality and security of information systems could interrupt the Commission's or a Water Purchaser's operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

LITIGATION

There is no controversy, suit or other proceeding of any kind pending or, to the Commission's knowledge, threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the Commission, the right or title of its officers to their respective offices, the validity or enforceability of the Joint Contract or the Water Contract, the validity of the Series 2021 Bonds, the proceedings had in relation to the authorization, issuance or sale thereof or the Commission's ability to meet its obligations with respect to the Series 2021 Bonds.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance and sale of the Series 2021 Bonds are subject to the approving legal opinion of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, whose approving opinion will be available at the time of delivery of the Series 2021 Bonds. Certain matters relating to this Official Statement will also be passed upon by Bond Counsel.

The various legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transactions opined upon, or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Series 2021 Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2021 Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and

other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2021 Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2021 Bonds.

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law existing as of the issue date of the Series 2021 Bonds:

Federal and Missouri Tax Exemption. The interest on the Series 2021 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Missouri.

Alternative Minimum Tax. Interest on the Series 2021 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The Series 2021 Bonds have been designated as “qualified tax-exempt obligations” for purposes of Section 265(b) of the Code.

Bond counsel’s opinions are provided as of the date of the original issue of the Series 2021 Bonds, subject to the condition that the Commission comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2021 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Commission has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2021 Bonds in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Series 2021 Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2021 Bonds but has reviewed the discussion under the heading “**TAX MATTERS.**”

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount (“OID”) is the excess of the stated redemption price at maturity of a Series 2021 Bond over its issue price. The issue price of a Series 2021 Bond is the first price at which a substantial amount of the Series 2021 Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Series 2021 Bond during any accrual period generally equals (1) the issue price of that Series 2021 Bond, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2021 Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2021 Bond during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Series 2021 Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

Original Issue Premium. If a Series 2021 Bond is issued at a price that exceeds the stated redemption price at maturity of the Series 2021 Bond, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Series 2021 Bond. Under Section 171 of the Code, the purchaser of that Series 2021 Bond must amortize the premium over the term of the Series 2021 Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the

Series 2021 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2021 Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a Series 2021 Bond, an owner of the Series 2021 Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2021 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2021 Bond. To the extent a Series 2021 Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2021 Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2021 Bonds, and to the proceeds paid on the sale of the Series 2021 Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Series 2021 Bonds should be aware that ownership of the Series 2021 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2021 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2021 Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2021 Bonds, including the possible application of state, local, foreign and other tax laws.

FINANCIAL STATEMENTS

The audited financial statements of the Commission for the Fiscal Year ended December 31, 2020, are included in *Appendix C* of this Official Statement.

CONTINUING DISCLOSURE

The Commission and Security Bank of Kansas City, as dissemination agent (the "Dissemination Agent") are entering into a Continuing Disclosure Agreement for the benefit of the owners and Beneficial Owners of the Series 2021 Bonds in order to comply with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). The Commission is the only "obligated person" with responsibility for continuing disclosure.

Pursuant to the Continuing Disclosure Agreement, the Commission will, or will cause the Dissemination Agent to, not later than the **last day of the sixth month** following the end of each fiscal year

(which currently ends December 31), commencing with the Commission’s fiscal year ending December 31, 2021, provide to the Municipal Securities Rulemaking Board (the “MSRB”) the following financial information and operating data (the “Annual Report”):

- (1) The audited financial statements of the Commission for the prior fiscal year. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report promptly after they become available.
- (2) Updates as of the end of the fiscal year of the financial information and operating data contained in Appendix B of this Official Statement under the following sections:

THE SYSTEM

Average Monthly Use by Water Purchasers

FINANCIAL INFORMATION CONCERNING THE SYSTEM

Historic System Debt Service Coverage

Outstanding Debt

Pursuant to the Continuing Disclosure Agreement, if the Commission fails to provide the Annual Report and the updated financial and operating data, as discussed above, the Dissemination Agent is required to provide notice of such failure to the MSRB.

Pursuant to the Continuing Disclosure Agreement, the Commission also will give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Series 2021 Bonds, no later than 10 business days after the occurrence of such event (“Material 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 Series 2021 Bonds, or other material events affecting the tax status of the Series 2021 Bonds;
- (7) modifications to rights of certificate holders, if material;
- (8) certificate calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2021 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Commission;
- (13) the consummation of a merger, consolidation, or acquisition involving the Commission or the sale of all or substantially all of the assets of the Commission, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (15) incurrence of a Financial Obligation of the Commission, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a

- Financial Obligation of the Commission, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Commission, any of which reflect financial difficulties.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; provided however, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

If the Dissemination Agent has been instructed by the Commission to report the occurrence of a Material Event, the Dissemination Agent will promptly file a notice of such occurrence with the MSRB, with a copy to the Commission.

The Commission 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 is not responsible in any manner for the content of any notice or report prepared by the Commission pursuant to the Continuing Disclosure Agreement.

Notwithstanding any other provision of the Continuing Disclosure Agreement, the Commission and the Dissemination Agent may amend the Continuing Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Commission) and any provision of the Continuing Disclosure Agreement may be waived, provided Bond Counsel or other counsel experienced in federal securities law matters provides the Dissemination Agent with its opinion that the undertaking of the Commission, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to the Continuing Disclosure Agreement.

In the event of a failure of the Commission or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Underwriter or any owner or Beneficial Owner of the Series 2021 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Commission or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement will not be deemed an event of default under the Bond Resolution or the Series 2021 Bonds, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Commission or the Dissemination Agent to comply with the Continuing Disclosure Agreement will be an action to compel performance.

Prior to the issuance of the Series 2021 Bonds, the Commission had not issued any bonds which were subject to continuing disclosure under Rule 15c2-12 (the “Rule”).

Electronic Municipal Market Access System (EMMA)

All Annual Reports and notices of Material Events required to be filed by the Commission or the Dissemination Agent pursuant to the Continuing Disclosure Agreement must be submitted to the MSRB through the MSRB’s Electronic Municipal Market Access system (“EMMA”). EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, material event notices, real-time municipal securities trade prices and MSRB education resources, available at www.emma.msrb.org. Nothing contained on EMMA relating to the Commission or the Series 2021 Bonds is incorporated by reference in this Official Statement.

BOND RATING

It is anticipated that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“Standard & Poor’s”), will assign the Series 2021 Bonds a rating of “AA” conditioned upon the issuance by BAM at the time of delivery of the Series 2021 Bonds of a municipal bond insurance policy guaranteeing the scheduled payment of principal of and interest on the Series 2021 Bonds when due.

No underlying rating has been applied for from any credit rating agency with respect to the Series 2021 Bonds.

The Commission has furnished the rating agency with certain information and materials relating to the Series 2021 Bonds and the Commission that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies.

The rating reflects only the view of Standard & Poor’s, and any further explanation of the significance of such rating may be obtained only from Standard & Poor’s. The rating does not constitute a recommendation by the rating agency to buy, sell or hold any bonds, including the Series 2021 Bonds. There is no assurance that any rating when assigned to the Series 2021 Bonds will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of the rating assigned to the Series 2021 Bonds may have an adverse effect on the market price of the Series 2021 Bonds. Neither the Commission nor the Underwriter has undertaken any responsibility to bring to the attention of the Owners of the Series 2021 Bonds any proposed revision or withdrawal of a rating of the Series 2021 Bonds or to oppose any such proposed revision or withdrawal, except that the Commission has agreed in the Continuing Disclosure Agreement to inform Owners of any such revision to the rating as set forth in the Continuing Disclosure Agreement. Any downward revision or withdrawal of the rating may have an adverse effect on the market price and marketability of the Series 2021 Bonds.

FINANCIAL ADVISOR

McLiney And Company, a division of SAMCO Capital Markets, Inc. (the “Financial Advisor”) has acted as Financial Advisor to the Commission in connection with the sale of the Series 2021 Bonds. The Financial Advisor has assisted the Commission in matters relating to the planning, structuring and issuance of the Series 2021 Bonds and various other debt-related matters. The Financial Advisor will not be a manager or a member of any purchasing group submitting a proposal for the underwriting or purchase of the Series 2021 Bonds.

UNDERWRITING

Based upon bids received by the Commission on April 14, 2021, the Series 2021 Bonds were awarded to _____ (the “Underwriter”). The Underwriter has agreed to purchase the Series 2021 Bonds at a price of \$_____ (which is equal to the aggregate principal amount of the Series 2021 Bonds, [plus / less net original issue premium / discount of \$_____,] less an Underwriter’s discount of \$_____). The Underwriter is purchasing the Series 2021 Bonds from the Commission for resale in the normal course of the Underwriter’s business activities. The Underwriter reserves the right to offer any of the Series 2021 Bonds to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter, in its discretion, shall determine.

MISCELLANEOUS

Simultaneously with the delivery of and payment for the Series 2021 Bonds, the Chairman of the Board of Directors of the Commission will furnish to the Underwriter a certification that will state that, to the best of his knowledge and belief, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of the certification does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

Information set forth in this Official Statement has been furnished or reviewed by certain officials of the Commission, certified public accountants and other sources, as referred to herein, which are believed to be reliable. Any statements made in this Official Statement involving matters of opinion, estimates or projections, 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 or projections will be realized.

The form of this Official Statement and its distribution and use by the Underwriter has been approved by the Commission. Neither the Commission nor any of its officers or employees, in either their official or personal capacities, has made any warranties, representations or guarantees regarding the financial condition of the Commission or the Commission's ability to make payments required of it; and further, neither the Commission nor any of its officers or employees assumes any duties, responsibilities or obligations in relation to the issuance of the Series 2021 Bonds other than those either expressly or by fair implication imposed on the Commission by the Bond Resolution.

This Official Statement has been duly approved, executed and delivered by the Commission.

**HOWARD COUNTY REGIONAL
WATER COMMISSION**

By: _____
Chairman

APPENDIX A

DEFINITIONS AND SUMMARY OF CERTAIN TRANSACTION DOCUMENTS

The following is a summary of certain provisions and covenants contained in the Bond Resolution and the Water Contract. Such summary does not purport to be complete and is qualified in its entirety by reference to the Bond Resolution and the Water Contract.

DEFINITIONS OF TERMS USED IN THE BOND RESOLUTION

“Arbitrage Instructions” means the arbitrage investment and rebate instructions included in the Commission’s Federal Tax Certificate, as the same may be amended or supplemented in accordance with the provisions thereof.

“Bond Counsel” means Gilmore & Bell, P.C., Kansas City, Missouri, or other attorney or firm of attorneys with a nationally recognized standing in the field of municipal bond financing selected by the Commission.

“Bond Payment Date” means any date on which principal of or interest on any Bond is payable at the Maturity thereof or on any Interest Payment Date.

“Bond Register” means the books for the registration, transfer and exchange of Bonds kept at the office of the Paying Agent.

“Bondowner” or **“Registered Owner”** when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register.

“Bonds” means the Commission’s Water Refunding Revenue Bonds, Series 2021, authorized and issued pursuant to the Bond Resolution.

“Business Day” means a day other than a Saturday, Sunday or holiday on which the Paying Agent is scheduled in the normal course of its operations to be open to the public for conduct of its operations.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations of the Treasury Department proposed or promulgated thereunder.

“Consultant” means an independent engineer or engineering firm or an independent accountant or accounting firm having a favorable reputation for skill and experience in the construction, financing and operation of public utilities and the preparation of management studies and financial feasibility studies in connection therewith, selected by the Commission for the purpose of carrying out the duties imposed on the Consultant by the Bond Resolution.

“Debt Service Requirements” means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and net interest or interest-like payments (net of any Subsidy Payments) on all System Revenue Bonds for the period of time for which calculated; provided, however, that for purposes of calculating such amount, principal and interest shall be excluded from the determination of Debt Service Requirements to the extent that such principal or interest is payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with a commercial bank or trust company qualified to do business in the State of Missouri and having full trust powers.

“Debt Service Reserve Requirement” means the amount of \$341,383.*

“Defaulted Interest” means interest on any Bond that is payable but not paid on any Interest Payment Date.

“Defeasance Obligations” means any of the following obligations:

- (a) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) below);
- (b) United States Government Obligations that are not subject to redemption in advance of their maturity dates; or
- (c) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:
 - (1) the obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;
 - (2) the obligations are secured by cash or United States Government Obligations that may be applied only to principal of, premium, if any, and interest payments on such obligations;
 - (3) such cash and the principal of and interest on such United States Government Obligations serving as security for the obligations, plus any cash in the escrow fund, are sufficient to meet the liabilities of the obligations;
 - (4) such cash and United States Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;
 - (5) such cash and United States Government Obligations serving as security for the obligations, are not available to satisfy any other claims, including those against the trustee or escrow agent; and
 - (6) the obligations are rated in a rating category by Moody’s Investors’ Service or Standard & Poor’s Ratings Services that is no lower than the rating category then assigned by that rating agency to United States Government Obligations.

“Expenses” means all reasonable and necessary expenses of operation, maintenance and repair of the System and keeping the System in good repair and working order (other than interest paid on System Revenue Bonds and depreciation and amortization charges during the period of determination), determined in accordance with accounting principles generally accepted in the United States of America, including without limiting the generality of the foregoing, current maintenance charges, expenses of reasonable upkeep and repairs, salaries, wages, costs of materials and supplies, Paying Agent fees and expenses, annual audits, periodic Consultant's reports, charges for insurance, the cost of purchased water, gas and power, if any, obligations (other than for borrowed money or for rents payable under capital leases) incurred in the ordinary course of business, liabilities incurred by endorsement for collection or deposit of checks or drafts received in the ordinary course of business, short term obligations incurred and payable within a particular fiscal year, other obligations or indebtedness incurred for the purpose of leasing (pursuant to a true or operating lease)

* Preliminary, subject to change.

equipment, fixtures, inventory or other personal property, and all other expenses incident to the operation of the System.

“Federal Tax Certificate” means the Commission’s Federal Tax Certificate relating to the Bonds, as the same may be amended or supplemented in accordance with the provisions thereof.

“Government” means the United States of America, acting through the United States Department of Agriculture.

“Insurance Consultant” means an independent individual or firm selected by the Commission qualified to survey risks and to recommend insurance coverage for entities engaged in operations similar to those of the System and having a favorable reputation for skill and experience in making such surveys and recommendations.

“Interest Payment Date” means the Stated Maturity of an installment of interest on any Bond.

“Maturity” when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as provided therein and in the Bond Resolution, whether at the Stated Maturity thereof or call for redemption, declaration of acceleration or otherwise.

“Net Revenues” means all Revenues less all Expenses.

“Net Revenues Available for Debt Service” means, for the period of determination, all Revenues less all Expenses.

“Outstanding” means, when used with reference to Bonds, as of any particular date, all Bonds theretofore issued and delivered under the Bond Resolution, except the following Bonds:

- (a) Bonds theretofore cancelled by the Paying Agent or delivered to the Paying Agent for cancellation;
- (b) Bonds deemed to be paid in accordance with the provisions of the Bond Resolution; and
- (c) Bonds in exchange for or in lieu of which other Bonds have been registered and delivered under the Bond Resolution.

“Parity Bonds” means any additional parity bonds or other obligations issued or incurred pursuant to the Bond Resolution and standing on a parity and equality with the Bonds with respect to the payment of principal and interest out of the Net Revenues of the System.

“Parity Resolutions” means the resolutions under which any Parity Bonds are issued.

“Paying Agent” means Security Bank of Kansas City, Kansas City, Kansas, and any successors and assigns serving as paying agent under the Bond Resolution.

“Permitted Investments” means any of the following securities and obligations, if and to the extent the same are at the time legal for investment of the Commission’s moneys held in the funds referred to in the Bond Resolution:

- (a) United States Government Obligations;
- (b) bonds, notes or other obligations of the State of Missouri, or any political subdivision of the State of Missouri, that at the time of their purchase are rated in either of the two highest rating categories by a nationally recognized rating service;

- (c) repurchase agreements with any bank, bank holding company, savings and loan association, trust company, or other financial institution organized under the laws of the United States or any state, that are continuously and fully secured by any one or more of the securities described in clause (a), (b) or (d) and have a market value at all times at least equal to the principal amount of such repurchase agreement and are held in a custodial or trust account for the benefit of the Commission;
- (d) obligations of the Federal Financing Bank, the Federal Intermediate Credit Corporation, Federal Banks for Cooperatives, Federal Land Banks and Farmers Home Administration;
- (e) certificates of deposit or time deposits, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of the United States or any state, provided that such certificates of deposit or time deposits shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities as are described above in clauses (a) through (d) above, inclusive, which shall have a market value at all times at least equal to the principal amount of such certificates of deposit or time deposits; and
- (f) any other securities or investments that are lawful for the investment of moneys held in such funds or accounts under the laws of the State of Missouri.

“Person” means any natural person, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof or other public body.

“Record Date” for the interest payable on any Interest Payment Date means the 15th day (whether or not a Business Day) of the calendar month preceding such Interest Payment Date.

“Redemption Date” when used with respect to any Bond or installments of principal thereof to be redeemed means the date fixed for such redemption pursuant to the terms of the Bond Resolution.

“Redemption Price” when used with respect to any Bond to be redeemed means the price at which such Bond is to be redeemed pursuant to the terms of the Bond Resolution, including the applicable redemption premium, if any, but excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

“Revenues” means all income and revenues derived by the Commission under the Water Contract and all income and revenues from the ownership and operation of the System, including investment and rental income, net proceeds from business interruption insurance, and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of System facilities to be applied during the period of determination to pay interest on System Revenue Bonds, but excluding any profits or losses on the early extinguishment of debt or on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets.

“Stated Maturity” when used with respect to any Bond or installment of interest thereon means the date specified in such Bond and the Bond Resolution as the fixed date on which the principal or such installment of interest is due and payable.

“Subsidy Payments” means funds received by the Commission that either (1) must be used, or (2) have been and are expected to continue to be used, to reduce the interest or principal payments on System Revenue Bonds. Such Subsidy Payments would include, but are not limited to (a) payments received by the Commission through a federal or State of Missouri program, or (b) payments related to an interest rate swap, exchange, hedge or similar agreement.

“**System**” means the entire waterworks plant, water well field and distribution system owned and operated by the Commission for the production, treatment and transmission of potable treated water, including all appurtenances and facilities connected therewith or relating thereto, all extensions, improvements, additions and enlargements to the System made or acquired by the Commission that are specifically designated by the Commission to be a part of the System, including appurtenances and equipment connected therewith or related thereto or interest in such a facility and related appurtenances and equipment and any other addition to, or extension, enlargement or betterment of the System that is made a part of the System, including all related structures, facilities and equipment, together with any major renewals, replacements, repairs, additions, improvements, betterments and modifications necessary, in the opinion of a Consultant, to keep the System in good operating condition or to prevent a loss of revenues therefrom, and any improvements, repairs and modifications of the System required by any governmental agency having jurisdiction over the System (other than the Commission in its capacity as owner of the System).

“**System Revenue Bonds**” means collectively the Bonds, any Parity Bonds and all other revenue bonds or other obligations which are payable out of, or secured by an interest in, the Net Revenues.

“**United States Government Obligations**” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, and which obligations are held in a custodial or trust account for the benefit of the Commission.

SUMMARY OF THE BOND RESOLUTION

Registration, Transfer and Exchange of Bonds

The Commission covenants that, as long as any of the Bonds remain Outstanding, it will cause the Bond Register to be kept at the office of the Paying Agent for the registration, transfer and exchange of Bonds as provided in the Bond Resolution. Each Bond when issued shall be registered in the name of the Owner thereof on the Bond Register.

Bonds may be transferred and exchanged only on the Bond Register as provided in the Bond Resolution. Upon surrender of any Bond at the office of the Paying Agent, the Paying Agent shall transfer or exchange such Bond for a new Bond or Bonds in any authorized denomination of the same Stated Maturity and in the same aggregate principal amount as the Bond that was presented for transfer or exchange. Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Paying Agent, duly executed by the Registered Owner thereof or by the Registered Owner’s duly authorized agent.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of the Bond Resolution. The Commission shall pay as an Expense of the System the fees and expenses of the Paying Agent for the registration, transfer and exchange of Bonds provided for by the Bond Resolution and the cost of printing a reasonable supply of registered bond blanks. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Paying Agent, are the responsibility of the Registered Owners of the Bonds. In the event any Registered Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Registered Owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Code, such amount may be deducted by the Paying Agent from amounts otherwise payable to such Registered Owner under the Bond Resolution or under the Bonds.

The Commission and the Paying Agent shall not be required (a) to register the transfer or exchange of any Bond after notice calling such Bond or portion thereof for redemption has been given or during the period of 15 days next preceding the first mailing of such notice of redemption, or (b) to register the transfer or exchange of any Bond during a period beginning at the opening of business on the day after receiving written notice from the Commission of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest pursuant to the Bond Resolution.

The Commission and the Paying Agent may deem and treat the Person in whose name any Bond is registered on the Bond Register as the absolute owner of such Bond, whether such Bond is overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price of and interest on said Bond and for all other purposes. All payments so made to any such Registered Owner or upon the Registered Owner's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Commission nor the Paying Agent shall be affected by any notice to the contrary.

At reasonable times and under reasonable regulations established by the Paying Agent, the Bond Register may be inspected and copied by the Registered Owners (or a designated representative thereof) of 10% or more in principal amount of the Bonds then Outstanding or any designated representative of such Registered Owners to be evidenced to the satisfaction of the Paying Agent.

Mutilated, Destroyed, Lost and Stolen Bonds

If (a) any mutilated Bond is surrendered to the Paying Agent, or the Paying Agent receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Paying Agent such security or indemnity as may be required by the Paying Agent to save each of the Commission and Paying Agent harmless, then, in the absence of notice to the Paying Agent that such Bond has been acquired by a bona fide purchaser, the Commission shall execute and the Paying Agent shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount.

If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Paying Agent in its discretion may pay such Bond instead of delivering a new Bond.

Upon the issuance of any new Bond under the Bond Resolution, the Commission or the Paying Agent may require the payment by the Registered Owner of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Paying Agent) connected therewith.

Every new Bond issued pursuant to the Bond Resolution shall constitute a replacement of the prior obligation of the Commission, and shall be entitled to all the benefits of the Bond Resolution equally and ratably with all other Outstanding Bonds.

Security for Bonds

The Bonds and all other amounts payable pursuant to the Bond Resolution are special obligations of the Commission payable solely from, and secured as to the payment of principal and interest by a pledge of, the Net Revenues. The Commission pledges the Net Revenues to the payment of the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the Commission, its members or the State of Missouri or any political subdivision thereof is pledged to the payment of the Bonds either as to principal or interest. The Bonds shall not be or constitute a general obligation of the Commission, its members or the State of Missouri or any political subdivision thereof, nor shall they constitute an indebtedness of the Commission, its members or the State of Missouri or any political subdivision thereof within the meaning of any constitutional, statutory or charter provision, limitation or restriction. The Registered Owners of the Bonds

may not look to any general or other fund of the Commission for the payment of the principal of, premium, if any, and interest on the Bonds, except as provided for in the Bond Resolution.

The covenants and agreements of the Commission contained in the Bond Resolution and in the Bonds shall be for the equal benefit, protection and security of the legal owners of any or all of the Bonds, all of which Bonds shall be of equal rank and without preference or priority of one Bond over any other Bond in the application of the funds pledged to the payment of the principal of and the interest on the Bonds, or otherwise, except as to rate of interest, date of maturity and right of prior redemption as provided in the Bond Resolution.

The Bonds shall stand on parity and be equally and ratably secured with respect to the payment of principal and interest from the Net Revenues and in all other respects with any Parity Bonds. The Bonds shall not have any priority with respect to the payment of principal or interest from said net income and revenues or otherwise over the Parity Bonds and the Parity Bonds shall not have any priority with respect to the payment of principal or interest from said net income and revenues or otherwise over the Bonds.

Establishment of Funds

There are established under the Bond Resolution the following separate funds to be known respectively as the:

- (a) Costs of Issuance Fund for Water Refunding Revenue Bonds, Series 2021 (the “Costs of Issuance Fund”).
- (b) Revenue Fund (the “Revenue Fund”).
- (c) Operation and Maintenance Fund (the “Operation and Maintenance Fund”).
- (d) Debt Service Fund for Water Refunding Revenue Bonds, Series 2021 (the “Debt Service Fund”).
- (e) Debt Service Reserve Fund for Water Refunding Revenue Bonds, Series 2021 (the “Debt Service Reserve Fund”).
- (f) Surplus Fund (the “Surplus Fund”).
- (g) Rebate Fund for Water Refunding Revenue Bonds, Series 2021 (the “Rebate Fund”).

Such funds shall be maintained and administered by the Commission solely for the purposes and in the manner as provided in the Bond Resolution and the Arbitrage Instructions so long as any of the Bonds remain Outstanding.

Application of Moneys in the Costs of Issuance Fund

Moneys in the Costs of Issuance Fund shall be used solely for the purpose of paying the costs and expenses incident to the issuance of the Bonds and the refunding of the Series 2015 Bonds. Withdrawals from the Costs of Issuance Fund shall be made only when authorized by the Commission and only on duly authorized and executed warrants or vouchers. On the date that is six months after the issuance of the Bonds, any surplus moneys remaining in the Costs of Issuance Fund and not required for the payment of unpaid costs thereof shall be deposited in the Debt Service Fund.

Application of Moneys in the Rebate Fund

There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Arbitrage Instructions. All money in the Rebate Fund shall be held in trust, to the extent required to satisfy any rebate amount calculated in accordance with the Arbitrage Instructions, for payment to the United States of America, and the Commission and the Registered Owners shall have no rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Bond Resolution and the Arbitrage Instructions. The Commission shall periodically determine the rebatable arbitrage under Section 148(f) of the Code in accordance with the Arbitrage Instructions, and the Commission shall make payments to the United States Government at the times and in the amounts determined under the Arbitrage Instructions. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and the interest thereon, and payment and satisfaction of any Rebate Amount, or provision made therefor, shall be released to the Commission.

Revenue Fund

The Commission covenants and agrees that from and after the delivery of the Bonds, and continuing as long as any of the Bonds remain Outstanding under the Bond Resolution, all of the revenues derived and collected from the operation of the System shall as and when received be paid and deposited into the Revenue Fund. Said revenues shall be segregated and kept separate and apart from all other moneys, revenues, funds and accounts of the Commission and shall not be commingled with any other moneys, revenues, funds and accounts of the Commission. The Revenue Fund shall be administered and applied solely for the purposes and in the manner provided in the Bond Resolution.

Application of Moneys in Funds

The Commission covenants and agrees that from and after the delivery of the Bonds and continuing so long as any of the Bonds shall remain Outstanding, it will on the first day of each month administer and allocate all of the moneys then held in the Revenue Fund as follows:

- (a) *Operation and Maintenance Fund.* There shall first be paid and credited to the Operation and Maintenance Fund an amount sufficient to pay the estimated Expenses during the ensuing month. All amounts paid and credited to the Operation and Maintenance Fund shall be expended and used by the Commission solely for the purpose of paying the Expenses of the System.
- (b) *Debt Service Fund.* There shall next be paid and credited to the Debt Service Fund, to the extent necessary to meet on each Bond Payment Date the payment of all interest on and principal of the Bonds, the following sums:
 - (1) Beginning with the first of said monthly deposits and continuing on the first day of each month thereafter to and including August 1, 2021, an equal pro rata portion of the amount of interest becoming due on the Bonds on September 1, 2021; and thereafter, beginning on September 1, 2021, and continuing on the first day of each month thereafter so long as any of the Bonds remain Outstanding and unpaid, an amount not less than 1/6th of the amount of interest that will become due on the Bonds on the next succeeding Interest Payment Date; and
 - (2) Beginning with the first of said monthly deposits and continuing on the first day of each month thereafter to and including August 1, 2021, an equal pro rata portion of the amount of principal becoming due on the Bonds on September 1, 2021; and thereafter, beginning on September 1, 2021 and continuing on the first day of each month thereafter so long as any of the Bonds remain Outstanding and unpaid, an amount not less than 1/12th of the amount of principal that will become due on the Bonds on the next succeeding Maturity date.

The amounts required to be paid and credited to the Debt Service Fund pursuant to the Bond Resolution shall be made at the same time and on a parity with the amounts at the time required to be paid and credited to the debt service funds established for the payment of principal and interest on any Parity Bonds under the provisions of any Parity Resolutions.

Any Subsidy Payments received by the Commission and applied to debt service or amounts deposited in the Debt Service Fund as accrued interest shall be credited against the Commission's payment obligations as set forth in the Bond Resolution.

All amounts paid and credited to the Debt Service Fund shall be expended and used by the Commission for the sole purpose of paying the interest on and principal of the Bonds as and when the same become due.

If at any time the moneys in the Revenue Fund are insufficient to make in full the payments and credits at the time required to be made to the Debt Service Fund and to the debt service funds established to pay the principal of and interest on any Parity Bonds, the available moneys in the Revenue Fund shall be divided among such debt service funds in proportion to the respective principal amounts of said series of bonds at the time outstanding which are payable from the moneys in said debt service funds.

- (c) *Debt Service Reserve Fund.* Except as provided below, all amounts paid and credited to the Debt Service Reserve Fund shall be expended and used by the Commission solely to prevent any default in the payment of interest on or principal of the Bonds if the moneys in the Debt Service Fund are insufficient to pay the interest on or principal of said Bonds as they become due. So long as the Debt Service Reserve Fund aggregates the Debt Service Reserve Requirement, no payments into said fund shall be required, but if the Commission is ever required to expend and use a part of the moneys in said fund for the purpose authorized in the Bond Resolution and such expenditure reduces the amount of said fund below the Debt Service Reserve Requirement, or if at the time of valuation of Permitted Investments in the Debt Service Reserve Fund, the amount of cash and the value of Permitted Investments in the Debt Service Reserve Fund is less than 95% of the Debt Service Reserve Requirement, the Commission shall, after all payments and credits required at the time to be made under the provisions of paragraphs (a) and (b) of the Bond Resolution have been made, make substantially equal monthly payments into said fund beginning on the first day of the month subsequent to such expenditure or valuation to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement within the next twelve months.

The amounts required to be paid and credited to the Debt Service Reserve Fund pursuant to the Bond Resolution shall be made at the same time and on a parity with the amounts at the time required to be paid and credited to the debt service reserve funds established for any Parity Bonds under the provisions of any Parity Resolutions.

Moneys in the Debt Service Reserve Fund may be used to call the Bonds for redemption and payment prior to their Stated Maturity, provided all of the Bonds at the time Outstanding are called for payment and funds are available to pay the same according to their terms. Moneys in the Debt Service Reserve Fund shall be used to pay and retire the last Outstanding Bonds unless such Bonds and all interest thereon are otherwise paid. Any amounts in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement on any valuation date shall be transferred to the Debt Service Fund.

If at any time the moneys in the Revenue Fund are insufficient to make in full the payments and credits at the time required to be made to the Debt Service Reserve Fund and to the debt service reserve funds established to protect the payment of any Parity Bonds, the available

moneys in the Revenue Fund shall be divided among such debt service reserve funds in proportion to the respective principal amounts of said series of bonds at the time outstanding which are payable from the moneys in such debt service reserve funds.

- (d) *Surplus Moneys.* After all payments and credits required at the time to be made under the provisions of paragraphs (a), (b) and (c), above, have been made, all moneys remaining in the Revenue Fund shall be deposited in the Surplus Fund and may be expended and used as follows:

(1) First, so long as either the balance on hand in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement or the balance on hand in the debt service reserve fund for any issue of Parity Bonds is less than the debt service reserve requirement for such issue of Parity Bonds, all moneys in the Surplus Fund shall be allocated to the Debt Service Reserve Fund and the debt service reserve funds for Parity Bonds in proportion to the original principal amount of the Bonds and of each issue of Parity Bonds, respectively. In no event, however, shall either (i) the balance on hand in the Debt Service Reserve Fund exceed the Debt Service Reserve Requirement or (ii) the balance on hand in the debt service reserve fund for any issue of Parity Bonds exceed the debt service reserve requirement for such issue of Parity Bonds.

(2) Second, so long as the balance on hand in the debt service reserve fund for any issue of junior lien System Revenue Bonds is less than the debt service reserve requirement for such issue of junior lien System Revenue Bonds, all moneys in the Surplus Fund shall be allocated to the debt service reserve fund(s) for each issue of junior lien System Revenue Bonds according to the resolutions of the Commission authorizing each issue of junior lien System Revenue Bonds. In no event, however, shall the balance on hand in the debt service reserve fund for any issue of junior lien System Revenue Bonds exceed the debt service reserve requirement for such issue of junior lien System Revenue Bonds.

(3) Third, after subparagraphs (1) and (2), above, have been complied with, moneys in the Surplus Fund may be expended and used for the following purposes as determined by the governing body of the Commission:

(i) Paying Expenses of the System to the extent that may be necessary after the application of the moneys held in the Operation and Maintenance Fund;

(ii) Paying the cost of extending, enlarging or improving the System;

(iii) Preventing default in, anticipating payments into or increasing the amounts in the debt service accounts or the debt service reserve accounts for System Revenue Bonds, or any one of them, or establishing or increasing the amount of any debt service account or debt service reserve account created by the Commission for the payment of any additional System Revenue Bonds; or

(iv) Calling, redeeming and paying prior to Stated Maturity, or, at the option of the Commission, purchasing in the open market at the best price obtainable not exceeding the redemption price (if any bonds are callable), the Bonds or any other System Revenue Bonds, including principal, interest and redemption premium, if any.

(v) Any other lawful purpose in connection with the operation of the System and benefiting the System.

- (e) *Deficiency of Payments into Funds.* If at any time the Revenues are insufficient to make any payment on the date or dates specified in the Bond Resolution, the Commission will make

good the amount of such deficiency by making additional payments or credits out of the first available Revenues thereafter received, such payments and credits being made and applied in the order specified in the Bond Resolution.

Transfer of Funds to Paying Agent

The Treasurer or finance officer of the Commission is authorized and directed to withdraw from the Debt Service Fund, and, to the extent necessary to prevent a default in the payment of either principal of or interest on the Bonds, from the Debt Service Reserve Fund, the Revenue Fund and the Surplus Fund, sums sufficient to pay the principal of and interest on the Bonds as and when the same become due on any Bond Payment Date, and to forward such sums to the Paying Agent in a manner which ensures the Paying Agent will have available funds in such amounts on or before the Business Day immediately preceding each Bond Payment Date. If, through lapse of time, or otherwise, the Registered Owners of Bonds are no longer entitled to enforce payment of their obligations, it shall be the duty of the Paying Agent forthwith to return said funds to the Commission. All moneys deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Bond Resolution.

Payments Due on Saturdays, Sundays and Holidays

In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

Nonpresentment of Bonds

If any Bond is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Bond have been made available to the Paying Agent all liability of the Commission to the Registered Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the Registered Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Bond Resolution or on, or with respect to, said Bond. If any Bond is not presented for payment within one year following the date when such Bond becomes due at Maturity, the Paying Agent shall repay to the Commission the funds theretofore held by it for payment of such Bond without liability for interest thereon, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Commission, and the Registered Owner thereof shall be entitled to look only to the Commission for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the Commission shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Deposit and Investment of Moneys

Money in each of the funds and accounts created by and referred to in the Bond Resolution shall be deposited in a bank or banks qualified to do business in the State of Missouri that are members of the Federal Deposit Insurance Corporation. All such deposits shall be continuously and adequately secured by the banks holding such deposits as provided by the laws of the State of Missouri.

Money held in any fund or account referred to in the Bond Resolution may be invested in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than the date when the money invested may be needed for the purpose for which such fund or account was created. All earnings on any investments held in any fund or account shall accrue to and become a part of such fund or account. In determining the amount held in any fund or account under any of the provisions of the Bond Resolution, obligations shall be valued at the lower of the cost or the market value thereof; provided, however, that investments held in the Debt Service Reserve Fund shall be valued at market value only. Investments shall be valued annually by the Paying Agent. If and when the amount held in any fund or account shall be in

excess of the amount required by the provisions of the Bond Resolution, the Commission shall direct that such excess be paid and credited to the Debt Service Fund.

Efficient and Economical Operation; Corporate Existence

The Commission will design, construct and thereafter continuously own and will operate the System as a revenue producing facility in an efficient and economical manner and will keep and maintain the same in good repair and working order. The Commission will establish and maintain such rules and regulations for the use of the System as may be necessary to assure maximum utilization and most efficient operation of the System. The Commission will maintain its corporate identity and existence so long as the Bond remains Outstanding, unless another body corporate and politic by operation of law succeeds to the powers, privileges, rights, liabilities, disabilities and duties of the Commission and is obligated by law to comply with the terms and provisions of the Bond Resolution without materially adversely affecting at any time the privileges and rights of any Owner of Bonds.

Rate Covenant and Water Contract Enforcement Covenant.

Rate Covenant. The Commission in accordance with and subject to applicable legal requirements will fix, establish, maintain and collect such rates and charges for the use and services furnished by or through the System, including rates and charges under the Water Contract, as will produce Revenues sufficient to (a) pay the Expenses of the System; (b) pay the principal of and interest on the Bonds as and when the same become due; and (c) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereon and for the protection and benefit of the System as provided in the Bond Resolution. The Commission will require the prompt payment of accounts for service rendered by or through the System and will promptly take whatever action is legally permissible to enforce and collect delinquent charges. The Commission will, from time to time as often as necessary, in accordance with and subject to applicable legal requirements, revise the rates and charges aforesaid in such manner as may be necessary or proper so that the Net Revenues Available for Debt Service will be sufficient to cover the obligations under the Bond Resolution and otherwise under the provisions of the Bond Resolution. If in any fiscal year Net Revenues Available for Debt Service are an amount less than as provided above, the Commission will immediately employ a Consultant to make recommendations with respect to such rates and charges. A copy of the Consultant's report and recommendations shall be filed with the Secretary of the Commission and the Original Purchaser of the Bonds and shall be furnished to any Registered Owner of the Bonds requesting a copy of the same, at the cost of such Registered Owner. The Commission shall, to the extent feasible and subject to applicable law, follow the recommendations of the Consultant.

Covenant to Enforce Water Contract. The Commission shall, at the expense of the System, take all lawful action within its control to enforce the performance of the Water Contract by the Water Purchasers (or to enforce any available remedies for the lack of such performance) and to collect all amounts due to the Commission under the Water Contract at the times and in the manner required thereunder.

Reasonable Charges for all Services

To the extent allowed by law, none of the facilities or services provided by the System will be furnished to any user (except for the Commission itself) without a reasonable charge being made therefor. If the Revenues are at any time insufficient to pay the reasonable Expenses of the System and also to pay all interest on and principal of the Bonds as and when the same become due, then the Commission will thereafter pay into the Revenue Fund a fair and reasonable payment in accordance with effective applicable rates and charges for all services furnished to the Commission by the System, and such payments will continue so long as the same may be necessary in order to prevent or reduce the amount of any default in the payment of the interest on or principal of the Bonds.

Restrictions on Mortgage or Sale of System

The Commission will not mortgage, pledge or otherwise encumber the System or any part thereof, nor will it sell, lease or otherwise dispose of the System or any material part thereof; provided, however, the Commission may:

- (a) sell at fair market value any portion of the System which has been replaced by other similar property of at least equal value, or which ceases to be necessary for the efficient operation of the System, and in the event of sale, the Commission will apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing repayment of Bonds in advance of Stated Maturity, or (2) replacement of the property so disposed of by other property the revenues of which shall be incorporated into the System;
- (b) cease to operate, abandon or otherwise dispose of any property which has become obsolete, nonproductive or otherwise unusable to the advantage of the Commission;
- (c) lease, (1) as lessor, any real or personal property which is unused or unimproved, or which has become obsolete, nonproductive or otherwise unusable to the advantage of the Commission, or which is being used as a part of a lease purchase financing for the acquisition or improvement of such property; or (2) as lessee, with an option of the Commission to purchase, any real or personal property for the extension and improvement of the System. Property being leased as lessor or lessee pursuant to this subparagraph shall not be treated as part of the System for purposes of the restrictions imposed on mortgaging the System and may be mortgaged, pledged or otherwise encumbered.
- (d) sell, lease or convey all or substantially all of the System to another entity or enter into a management contract with another entity if:
 - (1) The transferee entity is a political subdivision organized and existing under the laws of the State of Missouri, or an instrumentality thereof, or an organization described in Section 501(c)(3) of the Code, and expressly assumes in writing the due and punctual payment of the principal of and premium, if any, and interest on all outstanding System Revenue Bonds according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Bond Resolution;
 - (2) If there remains unpaid any System Revenue Bond which bears interest that is not includable in gross income under the Code, the Commission receives an opinion of Bond Counsel, in form and substance satisfactory to the Commission, to the effect that under then existing law the consummation of such management contract, sale, lease or conveyance, whether or not contemplated on any date of the delivery of such System Revenue Bond, would not cause the interest payable on such System Revenue Bond to become includable in gross income under the Code;
 - (3) The Commission receives a certificate of the Consultant which demonstrates and certifies that immediately upon such sale or conveyance the transferee entity will not, as a result thereof, be in default in the performance or observance of any covenant or agreement to be performed or observed by it under the Bond Resolution;
 - (4) Such transferee entity possesses such licenses to operate the System as may be required if it is to operate the System; and
 - (5) The Commission receives an opinion of Bond Counsel, in form and substance satisfactory to the Commission, as conclusive evidence that any such sale, lease or

conveyance, and any such assumption, is permitted by law and complies with the provisions of the Bond Resolution.

Insurance

The Commission will carry and maintain insurance with respect to the System and its operations against such casualties, contingencies and risks (including but not limited to property and casualty, fire and extended coverage insurance upon all of the properties forming a part of the System insofar as the same are of an insurable nature, public liability, worker's compensation and employee dishonesty insurance), such insurance to be of the character and coverage and in such amounts as would normally be carried by other enterprises engaged in similar activities of comparable size and similarly situated. In the event of loss or damage, the Commission, with reasonable dispatch, will use the proceeds of such insurance in reconstructing and replacing the property damaged or destroyed, or in paying the claims on account of which such proceeds were received, or if such reconstruction or replacement is unnecessary or impracticable, then the Commission will pay and deposit the proceeds of such insurance into the Revenue Fund. The Commission will periodically review the insurance it maintains with respect to the System to determine that it is customary and adequate to protect its property and operations. The Commission may elect to be self-insured for all or any part of the foregoing requirements if (i) the Commission annually obtains a written evaluation with respect to such self-insurance program from an Insurance Consultant, (ii) the evaluation is to the effect that the self-insurance program is actuarially sound, and (iii) unless the evaluation states that such reserves are not necessary, the Commission deposits and maintains adequate reserves for the self-insurance program with a corporate trustee, who may be the Paying Agent. The Commission shall pay any fees and expenses of such Insurance Consultant in connection therewith. The cost of all insurance obtained pursuant to the requirements of the Bond Resolution shall be paid as an Expense out of the Revenues of the System.

Bond Insurance Provisions

(a) *Definitions.* For purposes of the Bond Resolution, the following terms shall have the following meanings:

“**BAM**” shall mean Build America Mutual Assurance Company, or any successor thereto.

“**Insured Obligations**” shall mean the Bonds.

“**Late Payment Rate**” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 5%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates (including but not limited to Section 108.170 of the Revised Statutes of Missouri, as amended). In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

“**Policy**” shall mean the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

“**Security Documents**” shall mean the Bond Resolution, the Bonds and/or any additional or supplemental document executed in connection with the Insured Obligations.

(b) *Notice and Other Information to be given to BAM.* The Commission will provide BAM with all notices and other information it is obligated to provide (i) under the Continuing Disclosure Agreement and

(ii) to the holders of Insured Obligations or the Paying Agent. The notice address of BAM is: Build America Mutual Assurance Company, 200 Liberty Street, 27th Floor, New York, NY 10281, Attention: Surveillance, Re: Policy No. _____, Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: notices@buildamerica.com. In each case in which notice or other communication refers to an event of default or a claim on the Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214 and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

(c) *Defeasance.* The investments in the defeasance escrow relating to Insured Obligations shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise maybe authorized under the laws of the State of Missouri and approved by BAM. At least (three) 3 Business Days prior to any defeasance with respect to the Insured Obligations, the Commission shall deliver to BAM draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Insured Obligations, a verification report (a “Verification Report”) prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to BAM and shall be in form and substance satisfactory to BAM. In addition, the escrow agreement shall provide that:

(1) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Insured Obligations is excludable from gross income of the holders of the Insured Obligations) of the interest on the Insured Obligations for federal income tax purposes and the prior written consent of BAM, which consent will not be unreasonably withheld.

(2) The Commission will not exercise any prior optional redemption of Insured Obligations secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to BAM a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(3) The Commission shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of BAM.

(d) *Paying Agent.*

(1) BAM shall receive prior written notice of any name change of the Paying Agent for the Insured Obligations or the resignation or removal of the Paying Agent. Any replacement Paying Agent must be (i) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (ii) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (iii) otherwise approved by BAM in writing.

(2) No removal, resignation or termination of the Paying Agent shall take effect until a successor, meeting the requirements above or acceptable to BAM, shall be qualified and appointed.

(e) *Amendments, Supplements and Consents.* BAM’s prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The Commission shall send copies of any such amendments or supplements to BAM and the rating agencies which have assigned a rating to the Insured Obligations.

(1) Consent of BAM. Any amendments or supplements to the Security Documents shall require the prior written consent of BAM with the exception of amendments or supplements:

(i) To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the Security Documents or in any supplement thereto, or

(ii) To grant or confer upon the holders of the Insured Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Insured Obligations, or

(iii) To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or

(iv) To add to the covenants and agreements of the Commission in the Security Documents other covenants and agreements thereafter to be observed by the Commission or to surrender any right or power therein reserved to or conferred upon the Commission, or

(v) To issue additional parity debt in accordance with the requirements set forth in the Security Documents (unless otherwise specified in the Bond Resolution).

(2) Consent of BAM in Addition to Bondholder Consent. Whenever any Security Document requires the consent of holders of Insured Obligations, BAM's consent shall also be required. In addition, any amendment, supplement, modification to, or waiver of, any of the Security Documents that adversely affects the rights or interests of BAM shall be subject to the prior written consent of BAM.

(3) *Insolvency.* Any reorganization or liquidation plan with respect to the Commission must be acceptable to BAM. The Paying Agent and each owner of the Insured Obligations appoint BAM as their agent and attorney-in-fact with respect to the Insured Obligations and agree that BAM may at any time during the continuation of any proceeding by or against the Commission under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (1) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (2) the direction of any appeal of any order relating to any Claim, (3) the posting of any surety, supersedeas or performance bond pending any such appeal, and (4) the right to vote to accept or reject any plan of adjustment. In addition, the Paying Agent and each owner of the Insured Obligations delegate and assign to BAM, to the fullest extent permitted by law, the rights of the Paying Agent and each owner of the Insured Obligations with respect to the Insured Obligations in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(4) *Control by BAM Upon Default.* Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, BAM shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Obligations or the Paying Agent for the benefit of the holders of the Insured Obligations under any Security Document. No default or event of default may be waived without BAM's written consent.

(5) *BAM as Owner.* Upon the occurrence and continuance of a default or an event of default, BAM shall be deemed to be the sole owner of the Insured Obligations for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

(6) *Consent of BAM for Acceleration.* BAM's prior written consent is required as a condition precedent to and in all instances of acceleration.

(7) *Grace Period for Payment Defaults.* No grace period shall be permitted for payment defaults on the Insured Obligations. No grace period for a covenant default shall exceed 30 days without the prior written consent of BAM.

(8) *Special Provisions for Insurer Default.* If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs (e)(1)-(5) above to the contrary, (i) if at any time prior to or following an Insurer Default, BAM has made payment under the Policy, to the extent of such payment BAM shall be treated like any other holder of the Insured Obligations for all purposes, including giving of consents, and (ii) if BAM has not made any payment under the Policy, BAM shall have no further consent rights until the particular Insurer Default is no longer continuing or BAM makes a payment under the Policy, in which event, the foregoing clause (i) shall control. For purposes of this paragraph, "Insurer Default" means: (A) BAM has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) BAM shall (1) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (2) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (3) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (4) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (5) make a general assignment for the benefit of creditors, or (6) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of BAM (including without limitation under the New York Insurance Law).

(f) *BAM as Third Party Beneficiary.* BAM is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

(g) *Payment Procedure Under the Policy.* In the event that principal and/or interest due on the Insured Obligations shall be paid by BAM pursuant to the Policy, the Insured Obligations shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Commission, the pledge of the Net Revenues and all covenants, agreements and other obligations of the Commission to the registered owners shall continue to exist and shall run to the benefit of BAM, and BAM shall be subrogated to the rights of such registered owners.

In the event that on the second (2nd) business day prior to any payment date on the Insured Obligations, the Paying Agent has not received sufficient moneys to pay all principal of and interest on the Insured Obligations due on such payment date, the Paying Agent shall immediately notify BAM or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify BAM or its designee.

In addition, if the Paying Agent has notice that any holder of the Insured Obligations has been required to disgorge payments of principal of or interest on the Insured Obligations pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Paying Agent shall notify BAM or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of BAM.

The Paying Agent shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Insured Obligations as follows:

(1) If there is a deficiency in amounts required to pay interest and/or principal on the Insured Obligations, the Paying Agent shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holders of the Insured Obligations in any legal proceeding related to the payment and assignment to BAM of the claims for interest on the Insured Obligations, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from BAM with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the “BAM Policy Payment Account”) to only be used to make scheduled payments of principal of and interest on the Insured Obligation, and (iv) disburse the same to such respective holders; and

(2) If there is a deficiency in amounts required to pay principal of the Insured Obligations, the Paying Agent shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holder of the Insured Obligations in any legal proceeding related to the payment of such principal and an assignment to BAM of the Insured Obligations surrendered to BAM, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefore from BAM, (iii) segregate all such payments in the BAM Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Insured Obligation, and (iv) disburse the same to such holders.

The Paying Agent shall designate any portion of payment of principal on Insured Obligations paid by BAM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Obligations registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Obligation to BAM, registered in the name directed by BAM, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Paying Agent's failure to so designate any payment or issue any replacement Insured Obligation shall have no effect on the amount of principal or interest payable by the Commission on any Insured Obligation or the subrogation or assignment rights of BAM.

Payments with respect to claims for interest on and principal of Insured Obligations disbursed by the Paying Agent from proceeds of the Policy shall not be considered to discharge the obligation of the Commission with respect to such Insured Obligations, and BAM shall become the owner of such unpaid Insured Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. The Security Documents shall not be discharged or terminated unless all amounts due or to become due to BAM have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the Commission and the Paying Agent agree for the benefit of BAM that:

(1) They recognize that to the extent BAM makes payments directly or indirectly (e.g., by paying through the Paying Agent), on account of principal of or interest on the Insured Obligations, BAM will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Commission, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Insured Obligations; and

(2) They will accordingly pay to BAM the amount of such principal and interest, with interest thereon as provided in the Security Documents and the Insured Obligations, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured Obligations to holders, and will otherwise treat BAM as the owner of such rights to the amount of such principal and interest.

(h) *Additional Payments.* The Commission agrees unconditionally that it will pay or reimburse BAM on demand, but solely from Net Revenues, any and all reasonable charges, fees, costs, losses, liabilities and expenses that BAM may pay or incur, including, but not limited to, fees and expenses of BAM's agents,

attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents (“Administrative Costs”). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of BAM spent in connection with the actions described in the preceding sentence. The Commission agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to BAM until the date BAM is paid in full.

Notwithstanding anything in the Bond Resolution to the contrary, the Commission agrees to pay to BAM, but solely from Net Revenues, (i) a sum equal to the total of all amounts paid by BAM under the Policy (“BAM Policy Payment”); and (ii) interest on such BAM Policy Payments from the date paid by BAM until payment thereof in full by the Commission, payable to BAM at the Late Payment Rate per annum (collectively, “BAM Reimbursement Amounts”) compounded semi-annually. Notwithstanding anything to the contrary, including without limitation the post default application of revenue provisions, BAM Reimbursement Amounts shall be, and the Commission covenants and agrees that the BAM Reimbursement Amounts are, payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Insured Obligations on a parity with debt service due on the Insured Obligations.

(i) *Debt Service Reserve Fund.* The prior written consent of BAM shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve Fund. Amounts on deposit in the Debt Service Reserve Fund shall be applied solely to the payment of debt service due on the Insured Obligations.

(j) *Exercise of Rights by BAM.* The rights granted to BAM under the Security Documents to request, consent to or direct any action are rights granted to BAM in consideration of its issuance of the Policy. Any exercise by BAM of such rights is merely an exercise of the BAM’s contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Obligations and such action does not evidence any position of BAM, affirmative or negative, as to whether the consent of the holders of the Insured Obligations or any other person is required in addition to the consent of BAM.

(k) BAM shall be entitled to pay principal or interest on the Insured Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Commission (as such terms are defined in the Policy) and any amounts due on the Insured Obligations as a result of acceleration of the maturity thereof in accordance with the Security Documents, whether or not BAM has received a claim upon the Policy.

(l) So long as the Insured Obligations are outstanding or any amounts are due and payable to BAM, the Commission shall not sell, lease, transfer, encumber or otherwise dispose of the System or any material portion thereof, except upon obtaining the prior written consent of BAM.

(m) No contract shall be entered into or any action taken by which the rights of BAM or security for or source of payment of the Insured Obligations may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of BAM.

(n) If an event of default occurs under any agreement pursuant to which any Obligation of the Commission has been incurred or issued and that permits the holder of such Obligation or the Paying Agent to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the holders of the Insured Obligations or BAM, as BAM may determine in its sole discretion, then an event of default shall be deemed to have occurred under the Bond Resolution and the related Security Documents for which BAM or the Paying Agent, at the direction of BAM, shall be entitled to exercise all available remedies under the Security Documents, at law and in equity. For purposes of the foregoing "Obligation" shall mean any bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the Insured Obligations.

(o) To the extent of any conflict with other provisions of the Bond Resolution, the provisions relating to BAM as insurer shall control.

Senior Lien Bonds

The Commission covenants and agrees that so long as any of the Bonds remain Outstanding, the Commission will not issue any additional bonds or incur or assume any other debt obligations appearing as liabilities on the balance sheet of the Commission for the payment of moneys determined in accordance with accounting principles generally accepted in the United States of America including capital leases as defined by accounting principles generally accepted in the United States of America, payable out of the Net Revenues or any part thereof which are superior to the Bonds.

Parity Lien Bonds

The Commission covenants and agrees that so long as any of the Bonds remain Outstanding, it will not issue any additional Parity Bonds payable out of the Net Revenues or any part thereof which stand on a parity or equality with the Bonds (“Parity Bonds”) unless the following conditions (in addition to any conditions set forth in the Water Contract) are met:

- (a) The Commission shall not be in default in the payment of principal of or interest on any Bonds or any Parity Bonds at the time outstanding or in making any payment at the time required to be made into the respective funds and accounts created by and referred to in the Bond Resolution or any Parity Resolution (unless such additional revenue bonds or obligations are being issued to provide funds to cure such default); and
- (b) The Commission shall obtain either of the following:
 - (1) A certificate of an authorized official of the Commission to the effect that the Net Revenues Available for Debt Service derived by the Commission from the operation of the System, for the fiscal year immediately preceding the issuance of additional bonds shall have been equal to at least **110%** of the average annual Debt Service Requirements required to be paid out of said revenues in any succeeding fiscal year on account of both principal (at maturity or upon mandatory redemption) and interest becoming due with respect to all System Revenue Bonds of the Commission, including the additional bonds proposed to be issued. In determining the average annual Net Revenues Available for Debt Service for the purpose of this paragraph, the Commission may obtain a report of a Consultant who may adjust said Net Revenues Available for Debt Service by adding thereto, in the event the Commission has made any increase in rates for the use and services of the System and such increase has not been in effect during all of the fiscal year immediately preceding the issuance of additional bonds, the amount, as estimated by the Consultant, of the additional Net Revenues Available for Debt Service which would have resulted from the operation of the System during said preceding fiscal year had such rate increase been in effect for the entire period.
 - (2) A report of a Consultant to the effect that the Net Revenues Available for Debt Service projected to be derived by the Commission from the operation of the System for the fiscal year immediately following the issuance of such additional bonds, or if improvements to the System are contemplated, for the fiscal year immediately following the fiscal year in which the improvements to the System, the cost of which is being financed by such additional bonds, are to be in commercial operation, shall be equal to at least **110%** of the average annual Debt Service Requirements required to be paid out of said revenues in any succeeding fiscal year following such commercial operation on account of both principal (at maturity or upon mandatory redemption) and interest becoming due with respect to all System Revenue Bonds of

the Commission, including the additional bonds proposed to be issued. In determining the projected Net Revenues Available for Debt Service for the purpose of this paragraph, the Consultant may adjust said Net Revenues by adding thereto any estimated increase in Net Revenues Available for Debt Service resulting from any increase in rates for the use and services of the System which, in the opinion of the Consultant, are economically feasible and reasonably considered necessary based on projected operations of the System.

The Commission may issue additional Parity Bonds to be purchased by the Government by complying with either (1) or (2), above, provided that the required coverage ratio for such purpose shall be reduced to 100%.

Additional revenue bonds of the Commission issued under the conditions set forth in the Bond Resolution shall stand on a parity with the Bonds and shall enjoy complete equality of lien on and claim against the net revenues of the System with the Bonds, and the Commission may make equal provision for paying said bonds and the interest thereon out of the Revenue Fund and may likewise provide for the creation of reasonable debt service funds and debt service reserve funds for the payment of such additional bonds and the interest thereon out of moneys in the Revenue Fund.

Junior Lien Bonds and Other Obligations

Nothing in the Bond Resolution contained shall prohibit or restrict the right of the Commission to issue additional revenue bonds or other revenue obligations for any lawful purpose in connection with the operation of the facility and benefiting the System and to provide that the principal of and interest on said revenue bonds or obligations shall be payable out of the revenues of the System, provided at the time of the issuance of such additional revenue bonds or obligations the Commission is not in default in the performance of any covenant or agreement contained in the Bond Resolution (unless such additional revenue bonds or obligations are being issued to provide funds to cure such default), provided that any conditions set forth in the Water Contract are met, and provided further that such additional revenue bonds or obligations shall be junior and subordinate to the Bonds so that if at any time the Commission shall be in default in paying either interest on or principal of the Bonds, or if the Commission is in default in making any payments required to be made by it for debt service or replenishment of the Debt Service Reserve Fund, the Commission shall make no payments of either principal of or interest on said junior and subordinate revenue bonds or obligations until said default or defaults be cured. In the event of the issuance of any such junior and subordinate revenue bonds or obligations, the Commission, subject to the provisions aforesaid, may make provision for paying the principal of and interest on said revenue bonds or obligations out of moneys in the Revenue Fund.

Refunding Bonds

The Commission shall have the right, without complying with the provisions above, to refund any of the Bonds or any Parity Bonds under the provisions of any law then available to provide present value debt service savings for the Commission, and the refunding bonds so issued shall enjoy complete equality of pledge with any of the Bonds and any Parity Bonds which are not refunded, if any, upon the revenues of the System.

Acceleration of Maturity Upon Default

The Commission covenants and agrees that if (a) it defaults in the payment of the principal of or interest on any of the Bonds as the same become due on any Bond Payment Date, (b) if the Commission or its governing body or any of the officers, agents or employees thereof fail or refuse to comply with any of the provisions of the Bond Resolution or of the constitution or statutes of the State of Missouri, and such default continues for a period of 30 days after written notice specifying such default has been given to the Commission by the Registered Owner of any Bond then Outstanding, (c) any bankruptcy, reorganization, debt arrangement, moratorium or any proceeding under bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against the Commission, and if instituted against the Commission, is consented to by the Commission or is not dismissed within 60 days, or (d) the Water Contract have been determined to be

invalid by a final determination of a court of appropriate jurisdiction, then, at any time thereafter and while such default continues, the Registered Owners of 25% in principal amount of the Bonds then Outstanding may, by written notice to the Commission filed in the office of the Secretary of the Commission or delivered in person to said Secretary, declare the principal of all Bonds then Outstanding to be due and payable immediately, and upon any such declaration given as aforesaid, all of said Bonds shall become and be immediately due and payable, anything in the Bond Resolution or in the Bonds contained to the contrary notwithstanding. This provision, however, is subject to the condition that if at any time after the principal of said Outstanding Bonds has been so declared to be due and payable, all arrears of interest upon all of said Bonds, except interest accrued but not yet due on such Bonds, and all arrears of principal upon all of said Bonds has been paid in full and all other defaults, if any, by the Commission under the provisions of the Bond Resolution and under the provisions of the statutes of the State of Missouri have been cured, then and in every such case the Registered Owners of a majority in principal amount of the Bonds then Outstanding, by written notice to the Commission given as specified in the Bond Resolution, may rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any rights consequent thereon.

Other Remedies

The provisions of the Bond Resolution, including the covenants and agreements contained in the Bond Resolution, shall constitute a contract between the Commission and the Registered Owners of the Bonds, and the Registered Owner or Owners of not less than 10% in principal amount of the Bonds at the time Outstanding shall have the right for the equal benefit and protection of all Registered Owners of Bonds similarly situated:

- (a) by mandamus or other suit, action or proceedings at law or in equity to enforce the rights of such Registered Owner or Owners against the Commission and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the Bond Resolution or by the Constitution and laws of the State of Missouri;
- (b) by suit, action or other proceedings in equity or at law to require the Commission, its officers, agents and employees to account as if they were the trustees of an express trust;
- (c) by suit, action or other proceedings in equity or at law to enforce the Water Contract and direct that payments be made directly to the Paying Agent; and
- (d) by suit, action or other proceedings in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of the Bonds.

Limitation on Rights of Bondowners

No one or more Bondowners secured by the Bond Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security granted and provided for in the Bond Resolution, or to enforce any right thereunder, except in the manner therein provided, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Registered Owners of such Outstanding Bonds.

Remedies Cumulative

No remedy conferred upon the Bondowners is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Bond Resolution. No waiver of any default or breach of duty or contract by the Registered Owner of any Bond shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies consequent thereon. No delay or omission of any Bondowner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein. Every

substantive right and every remedy conferred upon the Registered Owners of the Bonds by the Bond Resolution may be enforced and exercised from time to time and as often as may be deemed expedient. If any suit, action or proceedings taken by any Bondowner on account of any default or to enforce any right or exercise any remedy has been discontinued or abandoned for any reason, or has been determined adversely to such Bondowner, then, and in every such case, the Commission and the Registered Owners of the Bonds shall be restored to their former positions and rights under the Bond Resolution, respectively, and all rights, remedies, powers and duties of the Bondowners shall continue as if no such suit, action or other proceedings had been brought or taken.

No Obligation to Levy Taxes

Nothing contained in the Bond Resolution shall be construed as imposing on the Commission or its members any duty or obligation to levy any taxes either to meet any obligation incurred in the Bond Resolution or to pay the principal of or interest on the Bonds.

Defeasance

When any or all of the Bonds or the interest payments thereon have been paid and discharged, then the requirements contained in the Bond Resolution and the pledge of revenues made under the Bond Resolution and all other rights granted by the Bond Resolution shall terminate with respect to the Bonds so paid and discharged. Bonds or the interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Bond Resolution if there has been deposited with the Paying Agent, or other commercial bank or trust company authorized to do business in the State of Missouri and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Bonds, in trust for and irrevocably appropriated thereto, money and/or Defeasance Obligations which, together with the interest to be earned thereon, will be sufficient for the payment of the principal or Redemption Price of said Bonds, and/or interest to accrue on such Bonds to the Stated Maturity or Redemption Date, as the case may be, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments; provided, however, that if any such Bonds shall be redeemed prior to the Stated Maturity thereof, (1) the Commission shall have elected to redeem such Bonds, and (2) either notice of such redemption shall have been given, or the Commission shall have given irrevocable instructions, or shall have provided for an escrow agent to give irrevocable instructions, to the Paying Agent to redeem such Bonds in compliance with the Bond Resolution. Any money and Defeasance Obligations that at any time shall be deposited with the Paying Agent or other commercial bank or trust company by or on behalf of the Commission, for the purpose of paying and discharging any of the Bonds or the interest payments thereon, shall be and are assigned, transferred and set over to the Paying Agent or other bank or trust company in trust for the respective Registered Owners of the Bonds, and such money shall be and are irrevocably appropriated to the payment and discharge thereof. All moneys and Defeasance Obligations deposited with the Paying Agent or other bank or trust company shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Bond Resolution.

Amendments

The rights and duties of the Commission and the Bondowners, and the terms and provisions of the Bonds or of the Bond Resolution, may be amended or modified at any time in any respect by resolution of the Commission with the written consent of the Registered Owners of not less than a majority in principal amount of the Bonds then Outstanding, such consent to be evidenced by an instrument or instruments executed by such Registered Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Secretary of the Commission, but no such modification or alteration shall:

- (a) extend the maturity of any payment of principal or interest due upon any Bond;
- (b) effect a reduction in the amount which the Commission is required to pay by way of principal of or interest on any Bond;

- (c) permit the creation of a lien on the revenues of the System prior or equal to the lien of the Bonds or Parity Bonds;
- (d) permit preference or priority of any Bonds over any other Bonds; or
- (e) reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of the Bond Resolution.

Any provision of the Bonds or of the Bond Resolution may, however, be amended or modified by resolution duly passed by the governing body of the Commission at any time in any respect with the written consent of the Registered Owners of all of the Bonds at the time Outstanding.

Without notice to or the consent of any Bondowners, the Commission may amend or supplement the Bond Resolution for the purpose of curing any formal defect, omission, inconsistency or ambiguity therein or in connection with any other change therein which is not materially adverse to the security of the Bondowners.

Every amendment or modification of the provisions of the Bonds or of the Bond Resolution shall be expressed in a resolution passed by the governing body of the Commission amending or supplementing the provisions of the Bond Resolution and shall be deemed to be a part of the Bond Resolution. A certified copy of every such amendatory or supplemental resolution, if any, and a certified copy of the Bond Resolution shall always be kept on file in the office of the Secretary of the Commission, and shall be made available for inspection by the Registered Owner of any Bond or a prospective purchaser or owner of any Bond authorized by the Bond Resolution, and upon payment of the reasonable cost of preparing the same, a certified copy of any such amendatory or supplemental resolution or of the Bond Resolution will be sent by the Secretary of the Commission to any such Bondowner or prospective Bondowner.

Any and all modifications made in the manner above provided shall not become effective until there has been filed with the Secretary of the Commission a copy of the resolution of the Commission above provided for, duly certified, as well as proof of any required consent to such modification by the Registered Owners of the Bonds then Outstanding. It shall not be necessary to note on any of the Outstanding Bonds any reference to such amendment or modification.

The Commission shall furnish to the Paying Agent a copy of any amendment to the Bonds or the Bond Resolution which affects the duties or obligations of the Paying Agent under the Bond Resolution.

Restriction on Amendments to or Termination of Water Contract

The Commission shall not enter into an amendment of or allow or consent to the amendment of any Water Contract or terminate or allow or consent to the termination of any Water Contract without the written consent of the Registered Owners of not less than a majority in principal amount of the Bonds then Outstanding; *provided that* the Water Contract may be amended by the Commission and the Water Purchasers with notice to but without the consent of the Registered Owners if the Commission obtains the report of a Consultant stating that the changes to the Water Contract included in such amendment will not adversely affect the ability of the Commission to comply with the covenants of the Bond Resolution.

DEFINITIONS OF TERMS USED IN THE WATER CONTRACT

“Additional Bonds” shall mean any Bonds issued by the Seller and as permitted by the Water Contract.

“Additional Use Charge” shall mean that amount calculated in accordance with the Water Contract.

“Additional Use Rate” shall mean the amount, established by the Seller, that the Seller will charge to each Purchaser for the sale of each 1,000 gallons of Water delivered to such Purchaser in excess of the Entitlement Share for such Purchaser in the applicable Contract Year. The Additional Use Rate will be based upon all Water Supply Costs, excluding only Debt Service, and shall be equal to \$3.50 per 1,000 gallons for the first Contract Year.

“Base Water Rate” shall mean the amount, established by the Seller, that the Seller will charge per 1,000 gallons to each Purchaser for the Minimum Monthly Purchase required for such Purchaser. The Base Water Rate will be based upon all Water Supply Costs, *including* Debt Service, and shall be equal to \$5.50 per 1,000 gallons for the first Contract Year.

“Bond Indenture” shall mean an indenture of trust, resolution or other document authorizing the issuance of Bonds, as such documents are amended or supplemented.

“Bonds” shall mean any bond issue, loan, lease or other obligation of the Seller treated as debt in accordance with accounting principles generally accepted in the United States of America.

“Commencement Date” shall mean the date of the Water Contract.

“Consulting Engineer” shall mean one or more engineers or engineering firms designated as such by the Seller, having demonstrated expertise in the field of water production, treatment and distribution and waterworks facility operations, rates and feasibility studies.

“Contract Year” shall mean the twelve (12) month period commencing on January 1st of each year and ending on the following December 31st, except that the first Contract Year shall begin on the Commencement Date and end on the following December 31st.

“Costs of Acquisition and Construction” shall mean all costs and expenses of planning, designing, acquiring, constructing, financing and placing in operation the System (including extensions or improvements thereto), including obtaining governmental approvals, certificates, permits and licenses with respect thereto, paid or accrued by the Seller, and shall include, but shall not be limited to:

- (1) funds required for an operating reserve required by the Bond Indenture;
- (2) funds required for the acquisition of inventory of fuel, supplies and other material for the System;
- (3) the deposit or deposits from the proceeds of the sale of an issue of Bonds required under the Bond Indenture to be made in any fund or account established pursuant to the Bond Indenture to meet debt service reserve requirements for such Bonds;
- (4) the deposit or deposits from the proceeds of the sale of Bonds to be made in any fund or account established pursuant to the Bond Indenture as a reserve for renewals and replacements or contingencies with respect to the System;

- (5) interest accruing in whole or in part on any issue of Bonds prior to and during the acquisition and construction of the System (including extensions or improvements thereto) and for such additional period as the Seller may reasonably deem to be necessary for placing the System (including extensions or improvements thereto) in commercial operation;
- (6) training and testing costs incurred by the Seller, preliminary investigation and development costs, engineering fees, contractors' fees, labor costs, the cost of materials, equipment, utility service and supplies, and legal and financing costs with respect to the System;
- (7) all costs of insurance obtained for the System during any construction period;
- (8) all costs relating to injury and damage claims arising out of the construction of the System (including extensions or improvements thereto), less proceeds of insurance maintained therefor;
- (9) funds required for the payment of all federal, state and local taxes required to be paid in connection with the construction of the System (including extensions thereof and improvements thereto);
- (10) the costs and expenses of the issue and sale of an issue of Bonds including discounts to the underwriters or other purchasers thereof; and
- (11) all other costs incurred by the Seller and properly allocable to the acquisition and construction of the System (including extensions or improvements thereto), including all costs financed by the issuance of Additional Bonds.

“Cure” shall mean either the removal of the cause of an Event of Default so that no default remains, or another remedy acceptable to both the defaulting party and the non-defaulting party.

“Debt Service” shall mean, with respect to any period, the aggregate of the amounts required by the Bond Indenture to be paid during such period into any fund or funds created by the Bond Indenture for the sole purpose of paying the principal (including any sinking fund installments) of and premium, if any, and interest or net interest-like payments on Bonds from time to time outstanding as the same shall become due. Debt Service shall not include any amounts which, together with the interest to be earned thereon, will be sufficient for the payment of the principal and redemption premium, if any, of the Bonds, plus interest to accrue on such Bonds and are deposited with a commercial bank or trust company authorized to do business in the State of Missouri and having full trust powers, in trust for and irrevocably appropriated thereto. Debt Service consists of, collectively, Project Debt Service and System Debt Service.

“Debt Service Shortfall Charge” shall mean, with respect to each Purchaser, the sum of the following, to the extent not provided for (or not anticipated by the Seller to be provided for) by net revenues available to the Seller from the collection of Minimum Use Charges, Additional Use Charges and Wheeling Charges after payment of Water Supply Costs during such Month:

- (1) the product of (A) the proportion that a Purchaser's Entitlement Share bears to the sum of every Purchaser's Entitlement Share, and (B) the amount of System Debt Service required to be deposited by the Seller during the Month into any fund or account established by the Bond Indenture; and

- (2) the product of (A) the percentage benefit assigned to a Purchaser pursuant to the Water Contract relating to any improvements that do not benefit all Purchasers, and (B) the amount of Project Debt Service required to be deposited by the Seller during the Month into any fund or account established by the Bond Indenture.

“**Entitlement Share**” shall mean, with respect to each Purchaser, the gallons of Water set forth below:

Purchaser	Entitlement Share
City of New Franklin, Missouri	25,009,000 gallons
City of Fayette, Missouri	94,601,000 gallons
Consolidated Public Water Supply District #1 of Howard County, Missouri	50,624,000 gallons

“**Local System**” means the waterworks system or combined waterworks and sewerage system of a Purchaser, as applicable.

“**Minimum Monthly Purchase**” shall mean the minimum number of gallons to be purchased in each monthly billing period by each Purchaser under the Water Contract, which shall be equal to 1/12th of such Purchaser’s Entitlement Share.

“**Minimum Use Charge**” shall mean that amount calculated in accordance with the Water Contract.

“**Month**” shall mean a calendar month.

“**Point(s) of Delivery**” shall mean the point or points of inter-connection between the facilities of, or available to, each Purchaser and the terminal facilities of the System.

“**Project Debt Service**” shall mean, with respect to any period, that portion of the Debt Service to be paid during such period that is allocated to the Purchasers specially benefited by an expansion or improvement of the System in proportions different from their Entitlement Shares.

“**Prudent Utility Practice**” shall mean at a particular time (i) any of the practices, methods and acts engaged in or approved by a significant portion of the water supply industry at such time, or (ii) that, in the exercise of reasonable judgment in light of facts known at such time, could have been expected to accomplish the desired results at the lowest reasonable cost consistent with good business practices, reliability, safety and timeliness considering the fact that the Seller is a public corporation of the State of Missouri. “Prudent Utility Practice” is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods and acts, having due regard for manufacturers’ warranties and the requirements of governmental agencies of competent jurisdiction and shall apply not only to functional parts of the System, but also to appropriate structures, landscaping, painting, signs, lighting or other facilities and to public relations programs reasonably designed to promote public enjoyment, understanding and acceptance of the System, consistent with applicable legislation, rules, regulations and safety standards.

“Purchaser” shall mean any city, incorporated town or village, public water supply district, or wholesale water commission which has entered into or enters into the Water Contract with the Seller for the purchase of Water from the Seller.

“System” shall mean the entire waterworks plant and system owned and operated by the Seller for the production, treatment and distribution of Water to the Purchasers, including all wells and other sources of water, all appurtenances and facilities connected therewith or relating thereto, all extensions, improvements, additions and enlargements to the System made or acquired by the Seller that are specifically designated by the Seller to be a part of the System, including appurtenances and equipment connected therewith or related thereto or interest in such a facility and related appurtenances and equipment and any other addition to, or extension, enlargement or betterment of the System that is made a part of the System, including all related structures, facilities and equipment, together with any major renewals, replacements, repairs, additions, improvements, betterments and modifications necessary, in the opinion of the Consulting Engineer, to keep the System in good operating condition or to prevent a loss of revenues therefrom, and any improvements, repairs and modifications of the System required by any governmental agency having jurisdiction over the System (other than the Seller in its capacity as owner of the System).

“System Debt Service” shall mean, with respect to any period, that portion of the Debt Service to be paid during such period that is allocated to all Purchasers in proportion to their Entitlement Shares.

“Trustee” shall mean the trustee or paying agent designated in the Bond Indenture.

“Uncontrollable Forces” shall mean any cause beyond the control of the Seller and which by the exercise of due diligence the Seller is unable to prevent or overcome, including but not limited to an act of God, fire, flood, explosion, earthquake, strike, sabotage, pestilence, an act of a public enemy, civil or military authority, including court orders, injunctions and orders of governmental agencies with proper jurisdictions, insurrection or riot, an act of the elements, failure of equipment, inability of the Seller or any contractor engaged in work on the System to obtain or ship materials or equipment because of the effect of similar causes on suppliers or carriers, or inability of the Seller to sell or issue the Bonds.

“Water” shall mean potable treated water meeting applicable purity standards of the State of Missouri, Department of Natural Resources and the United States Environmental Protection Agency or any other state or federal agency or instrumentality.

“Water Supply Costs” shall mean all of the Seller’s costs, to the extent not included in the Costs of Acquisition and Construction, resulting from the ownership, operation, maintenance and repair of, and renewals, replacements, additions, improvements, betterments and modifications to, the System, including but not limited to the following items of costs that are paid or incurred by the Seller in connection with the System:

- (1) the expected annual costs of operation, maintenance, administration and general expenses of the System for the Contract Year, to the extent not included in the costs and expenses specified in other clauses of this definition;
- (2) the amount required under the Bond Indenture to be paid or deposited into any fund or account established by the Bond Indenture in connection with the System, other than amounts required to be paid or deposited to pay Debt Service or by reason of the transfer of amounts from funds or accounts to the funds or accounts to pay Debt Service as referred to in the Bond Indenture; and
- (3) any amount that the Seller may be required to pay for the prevention or correction of any unusual loss or damage or for major renewals, replacements, repairs, additions, improvements, betterments and modifications necessary, in the opinion of the Consulting Engineer, to keep the System in good operating condition or to prevent a

loss of revenues therefrom to the extent that (A) the Seller is not reimbursed by the proceeds of insurance covering the same; (B) funds for such payment are not available to the Seller from any funds or accounts established under the Bond Indenture; and (C) funds for such payment are not provided by the issuance of Additional Bonds.

The Seller shall apply, as a credit against Water Supply Costs, all receipts, revenues and other moneys received by it from the sale of surplus equipment, materials and supplies relating to the System and from the sale of Water pursuant to the Water Contract.

“**Wheeling Charge**” shall mean the amount, established by the Seller, that the Seller will charge to a Purchaser for each 1,000 gallons of Water that is delivered to a Purchaser if such water must be delivered through transmission and distribution lines owned by neither the Seller nor the Purchaser.

SUMMARY OF THE WATER CONTRACT

Budget, Payment

(a) At least sixty (60) days before the commencement of each Contract Year, the Seller shall prepare and provide to each Purchaser a budget presenting a detailed estimate of the Water Supply Costs, the Base Water Rate, the Additional Use Rate, Debt Service Shortfall Charges (if any) and Wheeling Charges for such Contract Year (the “Budget”).

(b) At the end of each Month of each Contract Year, the Seller shall review its Budget for the Contract Year, including credits thereto. If the Budget does not substantially correspond with actual receipts or expenditures or if there have been or are expected to be at any time during any Contract Year extraordinary receipts, credits or payments of costs substantially affecting the Water Supply Costs, the Base Water Rate, the Additional Use Rate, Debt Service Shortfall Charges (if any) and Wheeling Charges the Seller shall prepare and provide to each Purchaser a revised Budget incorporating adjustments to reflect such receipts, credits, or payments and any payments required to replenish working capital, which revised Budget shall supersede the previous Budget.

(c) On or before the tenth (10th) day of each Month, the Seller shall provide to each Purchaser a monthly statement for charges equal to the sum of the following:

- (1) **Minimum Use Charge:** The Base Water Rate will be multiplied by the number of gallons of water (in thousands) equal to the Purchaser’s Minimum Monthly Purchase (1/12th of such Purchaser’s Entitlement Share).
- (2) **Additional Use Charge:** The Additional Use Rate will be multiplied by the number of gallons of water (in thousands) delivered to the Purchaser during the preceding Month at the Point(s) of Delivery in excess of the Purchaser’s Entitlement Share for the applicable Contract Year.
- (3) the Wheeling Charge, if any, multiplied by the number of gallons of water (in thousands) delivered to the Purchaser during the preceding Month at the Point(s) of Delivery;
- (4) 100% of the Debt Service Shortfall Charge for such Purchaser; plus

- (5) any additional “coverage” amount required by the Bond Indenture or as determined by the Seller’s Board of Directors.

For avoidance of doubt, the effect of subparagraphs (c)(1) and (c)(2), above, is that, once a Purchaser’s usage in any Contract Year exceeds the Entitlement Share for such purchaser, the Purchaser will continue to pay the Minimum Use Charge each Month plus the Additional Use Charge for each 1,000 gallons in excess of the Purchaser’s Entitlement Share used in such Month. Until a Purchaser exceeds its Entitlement Share in a Contract Year, no charges under (c)(2) will apply.

(d) Any other provision in the Water Contract to the contrary notwithstanding, the payments to be made pursuant to paragraph (c) above shall be due and payable from and after the Commencement Date at the office of the Seller specified in the Water Contract. Payment is due by the thirtieth (30th) day of the month in which the monthly statement is sent, whether or not the System (or extensions or improvements thereto) has been completed, and whether or not the System (or extensions or improvements thereto) is operating or operable or its production is suspended, interrupted, interfered with, reduced, or curtailed or terminated in whole or in part, and such payments shall not be subject to any reduction, whether by offset, counterclaim, recoupment or otherwise, and shall not be conditioned upon the performance or nonperformance by the Seller or any other party under the Water Contract or any other agreement for any cause whatsoever including the Seller’s inability to furnish Water.

(e) Amounts due and not paid by a Purchaser on or before the thirtieth (30th) day of the Month on which they are due shall bear an additional charge equal to the lesser of 1% per month, compounded monthly, or the maximum amount permitted under applicable law, until such amount and such additional charge are paid in full.

(f) In the event of any dispute as to any portion of any monthly statement, the Purchaser shall nevertheless pay the full amount shown on such statement when due and shall, within sixty (60) days from the date of such statement give written notice of the dispute to the Seller. Such notice shall identify the disputed statement, state the amount in dispute and set forth a full statement of the grounds on which such dispute is based. No adjustment shall be considered or made for disputed charges unless notice is given as aforesaid. The Seller shall give consideration to such dispute and shall advise the Purchaser with regard to the Seller’s position relative thereto within thirty (30) days following receipt of such written notice. Upon determination of the correct amount, any difference between such correct amount and such full amount shall be subtracted from the statement next submitted to the Purchaser after such determination pursuant to paragraph (c) above.

Characteristics of Service

(a) The Seller will, at all times, operate and maintain the System in an efficient manner and will take such action as may be necessary to furnish each Purchaser with Water in such quantity and quality as it may require up to and including its Entitlement Share. Temporary or partial failure to deliver Water shall be remedied with all possible dispatch. In the event of an extended shortage of Water, or if the supply of Water available to the Seller is otherwise diminished over an extended period of time, the supply of Water to any Purchaser shall be reduced or diminished in the same ratio or proportion as the supply to all Purchasers is reduced or diminished.

(b) The Water Contract is subject to such rules, regulations or other laws as may be applicable to similar agreements in the State of Missouri, including Seller’s rules and regulations when adopted and, so long as the same are applicable, the Seller and each Purchaser will collaborate in obtaining such permits, certificates or the like as may be required to comply therewith.

(c) The Seller will establish, to the extent practicable, scheduled periods when the System shall be shut down for maintenance and will give each Purchaser, whenever possible, and subject to Uncontrollable

Forces, at least one hundred twenty (120) days' notice of such periods.

(d) The Seller may temporarily interrupt or reduce delivery of Water if the Seller determines that such interruption or reduction is necessary in case of emergencies affecting the ability of the Seller to produce or deliver Water and in order to install equipment, make repairs and replacements to and make investigations and inspections of or perform maintenance work on the System. Except as interrupted or reduced by Uncontrollable Forces, or as otherwise provided in the Water Contract, the Seller shall operate the System and deliver Water therefrom to each Purchaser in accordance with the Water Contract and Seller's rules and regulations at all times during the term of the Water Contract commencing with the Commencement Date.

(e) Nothing contained in the Water Contract shall be construed to prohibit the Seller from contracting with others for the operation and maintenance of the System.

Standard of Construction

The Seller shall construct, operate, maintain and manage the System in an efficient and economical manner consistent with Prudent Utility Practice.

Records and Accounts

The Seller will keep accurate records and accounts of the System. Said records and accounts shall be subjected to an audit as of the end of and for each Contract Year by a firm of independent certified public accountants selected by the Seller, which firm shall be experienced in waterworks utility accounting. Such firm's audit report shall be submitted to the Seller, with a copy to each Purchaser, within one hundred eighty (180) days after the end of such Contract Year.

Consulting Engineer

The Seller will retain a Consulting Engineer to prepare the report described in the Water Contract and to perform such other duties as may be required by the Water Contract and the Bond Indenture.

Seller's Rate Covenant

Notwithstanding anything to the contrary in the Water Contract, the Seller will establish, maintain and collect rates and charges for the System so as to provide revenues at least sufficient, together with available reserves to enable the Seller to make all payments required to be made by it under the Bond Indenture and all other lawful charges against or liens on the revenues of the System.

Purchaser's Rate Covenant

Each Purchaser will establish, maintain and collect rates and charges for the services of its Local System, so as to provide revenues at least sufficient, together with available system reserves and other funds appropriated to or required to be used for its Local System, to enable the Purchaser to (i) make all payments required to be made by it under the Water Contract; (ii) pay and discharge when due all bonds, notes, leasehold obligations (subject, however, to any required annual budgeting and appropriation) and other obligations of the Purchaser payable from the revenues of its Local System, and satisfy any covenants with respect thereto; (iii) pay costs of operation and maintenance of its Local System necessary in accordance with Prudent Utility Practice; and (iv) pay all other lawful charges against or liens on the revenues of its Local System.

Facilities to be Provided by Purchaser

Each Purchaser shall contract for or provide, operate and maintain, all without cost or expense to the Seller, such lines, pumps and other facilities as may be necessary to enable it to receive and use Water purchased under the Water Contract at and from the Point(s) of Delivery, including such protective devices as may be necessary in the reasonable judgment of the Seller to protect the System from disturbance thereto caused by the Purchaser.

Source of Purchaser's Payments

The obligation of each Purchaser to make payments to the Seller under the Water Contract shall be limited to the obligation to make payments from revenues of its Local System and available system reserves. Each Purchaser shall not be obligated to levy any taxes, general or special, for the purpose of paying to the Seller any sum due under the Water Contract. All payments made by each Purchaser pursuant to the Water Contract shall constitute operation and maintenance expenses of its Local System. As such, payments made by a Purchaser pursuant to the Water Contract shall have priority over and shall be paid before any payments with respect to any Local System revenue bonds, including any additional bonds or other obligations issued by a Purchaser that are payable from Local System revenues.

Other Duties of Purchasers

Each Purchaser agrees, subject to the terms of any conflicting provisions of any existing ordinance, resolution, contract or other agreement or obligation of the Purchaser, to the following:

(a) Promptly after the end of each fiscal year of the Purchaser, the Purchaser will cause an audit of its Local System for the preceding fiscal year to be made by a certified public accountant or firm of certified public accountants employed for that purpose and paid from the revenues generated from the operation of its Local System. The annual audit will cover in reasonable detail the operation of the Local System during the fiscal year. Within 30 days after the completion of the annual audit, a copy will be filed in the administrative office of the Purchaser and a copy of the audit will be mailed to the Seller. The annual audit will be open to examination and inspection during normal business hours by the Seller or anyone acting for or on behalf of the Seller.

(b) The Purchaser will maintain its Local System in efficient operating condition, will make such improvements, enlargements, extensions and repairs thereto as may be necessary or advisable in accordance with Prudent Utility Practice, will engage experienced and competent management personnel, and will continue to own and operate its Local System, all in a manner that will enable it to purchase Water from the Seller in accordance with the Water Contract throughout its term and any extensions thereof.

(c) The Purchaser will duly observe and comply with all valid requirements of any governmental authority relative to any part of its Local System. The Purchaser will neither create nor suffer to be created any lien or charge upon its Local System or upon the revenues therefrom that would cause the Purchaser to fail to perform any of its obligations under the Water Contract.

(d) To the extent permitted by law, the Purchaser, in the operation of its Local System, will carry or cause to be carried such types of insurance as are in accordance with Prudent Utility Practice and as are required by all agreements to which the Purchaser is a party.

(e) The Purchaser will maintain its corporate identity and existence so long as the Water Contract is in effect, unless another political subdivision or political corporation by operation of law succeeds to the powers, privileges, rights, liabilities, duties and obligations of the Purchaser under the Water Contract and such

transfer does not adversely affect the tax status of the interest on the Bonds.

(f) The Purchaser will faithfully and punctually perform all duties with respect to its Local System required by the Constitution and laws of the State of Missouri, the Water Contract and any supplements to the Water Contract, including, but not limited to, the making and collecting of sufficient rates and charges as required pursuant to the Water Contract.

Additional Bonds

(a) Additional Bonds may be issued and sold by the Seller, subject to the provisions of the Bond Indenture and the Water Contract, at any time and from time to time in the event funds are required to pay all or a portion of the cost of (i) any major renewals, replacements, repairs, additions, improvements, betterments and modifications to the System, (ii) any major additions, improvements, repairs or modifications to the System required by any governmental agency having jurisdiction over the System (other than the Seller in its capacity as owner of the System) or for which the Seller shall be responsible by virtue of any obligation of the Seller arising out of any contract to which the Seller may be a party relating to the ownership of the System and (iii) additional Water supplies for the System in any Contract Year to the extent that sufficient funds are not available in any reserves for such purpose under the Bond Indenture.

(b) It is the Seller's intent that, if Additional Bonds are sold to finance a project that will benefit only those Purchasers purchasing additional Water as a result of that project, the revenues derived from newly-contracted Water shall be adequate to pay the principal and interest on the Additional Bonds. The Seller may establish additional Minimum Use Charges and Additional Use Charges for such projects with Minimum Monthly Purchase amounts, Base Water Rates and Additional Use Rates that are different from those set out in the Water Contract. Such changes shall be set out in an amendment to the Water Contract. Additionally, such amendment to the Water Contract may specify that the Debt Service Shortfall Charges relating to such Additional Bonds be calculated independently with respect to such Additional Bonds and taking into account separately the Minimum Use Charges and Additional Use Charges relating specifically to such Additional Bonds and the projects financed thereby. The charges on existing Purchasers not benefited by such projects will not be increased to pay the costs of a project financed with Additional Bonds where the project benefits only additional contracted sales (notwithstanding any incidental benefit that may accrue to other water purchasers).

(c) Before issuing any Additional Bonds to pay the costs of expanding or improving the System, the Seller shall retain a Consulting Engineer to prepare a written report regarding the extent to which the project to be financed with the Additional Bonds will benefit the Purchasers.

- (1) If the Consulting Engineer determines that all or part of the proposed project will benefit all of the Purchasers, the report shall include:
 - (A) the Consulting Engineer's opinion regarding the percentage of the entire project that will benefit all of the Purchasers; and
 - (B) the Consulting Engineer's opinion regarding whether the proposed project is required for the sole purpose of complying with requirements of the State of Missouri, Department of Natural Resources, the United States Environmental Protection Agency, or any other federal or state regulatory body.
- (2) If the Consulting Engineer determines that all or part of the proposed project will not benefit all of the Purchasers, the report shall include the Consulting Engineer's

opinion regarding the percentage of benefit allocable to each benefitted Purchaser for such part of the Project that does not benefit all of the Purchasers.

- (3) The Seller shall consider the Consulting Engineer's report and then make a final determination of the percentage to which the proposed project is allocable to each Purchaser. An allocable portion of the principal of, premium, if any and interest on the Additional Bonds for the proposed project shall be classified as "System Debt Service" to the extent the Seller determines that the project benefits all of the Purchasers. The remainder of the principal of, premium, if any and interest on the Additional Bonds for the proposed project shall be classified as "Project Debt Service."

(d) Except as provided in (e) below, the Additional Bonds must be approved by:

- (1) The Seller's governing body; and
- (2) The governing bodies of three-quarters of all Purchasers, or such other approval requirement provided by law; and
- (3) The governing body of each Purchaser to which a portion of the principal of, premium, if any, and interest on the Additional Bonds is being allocated under paragraph (c)(3) above.

(e) The Additional Bonds must be approved by the Seller's governing body and by the governing bodies of three-quarters of all Purchasers, or such other approval requirement provided by law, if:

- (1) The proposed project is required to comply with requirements of (A) the State of Missouri, Department of Natural Resources; or (B) the United States Environmental Protection Agency; (C) any other federal or state regulatory body; or (D) the final, non-appealable order of any court; or
- (2) The System is damaged or destroyed, in whole or in part, by fire or other casualty, and as a result thereof the Seller must incur major repairs or replacements to the System in order to place the System in substantially the same operating condition as immediately prior to the fire or other casualty, which repairs or replacements are not covered by insurance proceeds and other available funds.

Refunding Bonds

If the Debt Service and/or Water Supply Costs may be reduced by the refunding at any time of all or a portion of the Bonds then outstanding or in the event it shall otherwise be advantageous in the opinion of the Seller to refund any Bonds, the Seller may issue and sell refunding Bonds.

Other Bonds

The Water Contract shall not be interpreted to restrict the amount of or purpose for which Bonds may be issued except that the Seller may not issue other Bonds prior in right in any manner to the outstanding Bonds.

Default by Purchaser, Remedies of the Seller

If a Purchaser fails to perform any obligation under the Water Contract, including failure to make to the Seller when due any payment, the Seller shall have, in addition to any other rights or remedies it may have under law, the following rights and remedies:

(a) the Seller may bring any suit, action or proceedings in law or in equity, including mandamus and action for specific performance, as may be necessary and appropriate to enforce against the Purchaser any covenant, agreement or obligation to make any payment for which provision is made in the Water Contract;

(b) if such failure shall continue for fifteen (15) days following written notice to the Purchaser from the Seller specifying such failure, the Seller may at any time thereafter, upon ten (10) days' written notice to the Purchaser, cease and discontinue delivering Water to the Purchaser so long as such failure shall continue; provided, however, that any such cessation and discontinuance shall not relieve the Purchaser of any obligation under the Water Contract, including the obligation to pay amounts becoming due on and after the date of such cessation and discontinuance; and

(c) whether or not the Seller shall have ceased and discontinued delivering Water pursuant to clause (b) above, if such failure shall continue for six (6) months following written notice to the Purchaser from the Seller specifying such failure, the Seller may at any time thereafter while such failure shall be continuing, upon written notice to the Purchaser, terminate the Water Contract as to that Purchaser; provided, however, that any such termination shall not relieve the Purchaser of the obligation to pay any amounts required to be paid under the Water Contract with respect to any Month ending on or prior to such termination and for the Month in which such termination shall occur, without proration.

Default by Seller

In the event of any default by the Seller in the performance of any of its obligations under the Water Contract, any Purchaser may bring any suit, action or proceeding in law or in equity, including mandamus, injunction, and action for specific performance as may be necessary or appropriate to enforce such obligation against the Seller, but the same shall not give any Purchaser the right to discontinue the performance of its obligations under the Water Contract. In particular, the Purchaser shall not be relieved of its obligation to make payments of Minimum Use Charge or Debt Service Shortfall Charge, notwithstanding any defense, claim, setoff or other right it may have against the Seller.

Abandonment of Remedy, No Waiver

If any action or proceeding taken by the Seller or a Purchaser in connection with any default by the other shall have been discontinued or abandoned for any reason, the Seller and the Purchaser shall be restored to their former positions under the Water Contract, and all rights, remedies, powers and obligations of the Seller and the Purchaser shall continue as though no such action or proceeding had been taken. The failure of either party to insist in any one or more instances upon strict performance by the other of the Water Contract or to take advantage of any of its rights under the Water Contract shall not be construed as a waiver or relinquishment.

Joint and Several Liability

(a) Each Purchaser agrees to be held jointly and severally liable if another Purchaser defaults in the payments required pursuant to the Water Contract.

(b) If a Purchaser defaults in the payment of its Minimum Use Charge or Debt Service Shortfall Charge, the Seller may:

- (1) notify the other Purchasers in writing of the default and stating the Seller's intent to bill each remaining Purchaser an additional amount of Minimum Use Charge and/or Debt Service Shortfall Charge as a result of the default; and
- (2) so long as the default continues, bill each remaining Purchaser for a proportionate amount of the Minimum Use Charge and/or Debt Service Shortfall Charge made necessary by the amount that remains unpaid, based on each remaining Purchaser's Entitlement Share.

The remaining Purchasers shall be required to accept and pay for and shall be entitled proportionately to use or otherwise dispose of the Water that was to have been purchased by the defaulting Purchaser.

(c) If a Purchaser defaults in the payment of any other amount due under the Water Contract, the Seller may:

- (1) notify all other Purchasers in writing of the default, stating the Seller's intent to bill each remaining Purchaser as a result of the default; and
- (2) adjust the Water Supply Costs and/or Wheeling Charges to account for the unpaid amount.

(d) If the Seller recovers any amount from a defaulting Purchaser, the Seller shall credit each Purchaser proportionately according to the additional amounts billed to such Purchaser under (b) and/or (c), above.

Assignment, Sale of Purchaser's System

(a) The Water Contract shall inure to the benefit of and be binding upon the respective successors and assigns of the parties to the Water Contract; provided, however, that, except as otherwise provided in the Water Contract in the event of a default and except for the assignment by the Seller authorized in paragraph (b) below, neither the Water Contract nor any interest therein shall be transferred or assigned by either party thereto except with the consent in writing of the other. No assignment or transfer shall relieve the assigning or transferring party of any obligation contained in the Water Contract. Each Purchaser acknowledges that the rights of the Seller to transfer or assign its interest in the Water Contract may be limited by the Bond Indenture.

(b) Each Purchaser acknowledges and agrees that the Seller may pledge and assign to the Trustee all of the Seller's right, title and interest in and to all payments to be made to the Seller by each Purchaser under the Water Contract as security for the payment of the principal (including sinking fund installments) of and premium, if any, and interest on the Bonds, and, upon the execution of such pledge and assignment, the Trustee shall have all of the rights and remedies provided to the Seller with respect thereto. Each Purchaser acknowledges that the Trustee may, following a default under the Bond Indenture, direct that all payments under the Water Contract be made directly to the Trustee.

(c) Each Purchaser agrees that it will not sell or otherwise dispose of its Local System without (i) the prior written consent of the Seller and (ii) the delivery of an opinion of nationally recognized bond counsel that such sale or other disposition will not affect the federal tax status of the interest on the outstanding Bonds.

Termination, Amendment

(a) The Water Contract shall terminate on the later of (1) December 31, 2055, or (2) the date on which all Bonds and the interest thereon have been paid in full or provision for the payment thereof shall have been made in accordance with the Bond Indenture. The Water Contract may be renewed or extended for such term or terms as may be agreed upon by the Seller and Purchaser.

(b) The Water Contract may be amended, modified or otherwise altered to provide for additional Purchasers to become signatories upon notice by the Seller to all parties. The Water Contract may also be amended, modified or otherwise altered to provide for the payment of Additional Bonds upon the written agreement of the benefitted Purchasers.

The Seller and the Purchasers may from time to time, without consent of or notice to any of the owners of the Bonds, enter into amendments to the Water Contract as are not inconsistent with the terms and provisions thereof, for any one or more of the following purposes:

- (1) to cure any ambiguity or formal defect or omission in the Water Contract;
- (2) to subject to the Water Contract additional revenues, properties or collateral as security for the payment of the obligations of the Purchasers;
- (3) to make any other change which, in the sole judgment of the Trustee, does not materially adversely affect the security of the owners of the Bonds.

Any other amendments or termination of the Water Contract shall only be made with the written consent of the owners of the Bonds.

(c) Except as provided in (b) above, the Water Contract may not otherwise be amended, modified or otherwise altered in any manner except in writing signed by all parties. Each Purchaser acknowledges that the Bond Indenture may contain provisions restricting the right of the Seller to amend, modify or alter the Water Contract.

Liability of the Seller

The Seller shall not be liable to any Purchaser for any failure of the Seller to perform its obligations to a Purchaser due to Uncontrollable Forces, and in no event shall the Seller be liable to a Purchaser for any consequential damages.

Compliance Requirement

The System has been financed and may be refinanced in part by loans made and/or insured by the United States of America, acting through Rural Development of the United States Department of Agriculture (“USDA Financings”). During such time as any USDA Financings are outstanding, the Water Contract is pledged to the United States of America as part of the security for said USDA Financings in accordance with the requirements of 7 CFR 1942.18(f), on a parity basis with any other bonds secured by the revenues of the System and not specifically subordinate to or senior to the USDA Financings.

APPENDIX B

INFORMATION CONCERNING THE COMMISSION, THE SYSTEM AND THE WATER PURCHASERS

The Commission has provided the following information with respect to the Commission, the System and the Water Purchasers. Capitalized words used but not defined in this *Appendix B* have the meanings given to such terms in *Appendix A*.

THE COMMISSION

Historical Background

The Howard County Regional Water Commission (the “**Commission**”) is a joint municipal utility commission and political subdivision of the State of Missouri organized and existing pursuant to Article VI, Section 27 of the Constitution of Missouri, 1945, as amended, and Sections 393.700 to 393.770 of the Revised Statutes of Missouri, as amended (collectively, the “**Act**”) and by virtue of a Joint Contract dated November 24, 2008 (as subsequently amended, the “**Joint Contract**”).

The Commission was created in 2008 to develop a reliable water source within Howard County, Missouri for the benefit of the City of Fayette, Missouri (“**Fayette**”), the City of New Franklin, Missouri (“**New Franklin**”), and the Consolidated Public Water Supply District #1 of Howard County, Missouri (“**CPWSD #1**”). The primary purpose of the Commission is to obtain, for the contracting municipalities, joint water supply facilities and potable water supplies required to meet the needs in whole or in part of such contracting municipalities and the residents thereof in an economic and feasible manner.

Pursuant to the Act and the Joint Contract, any city, incorporated town or village, or public water supply district within the Commission’s service area may become a member of the Commission upon approval of the Board of Directors and execution of an agreement to be bound by the Joint Contract and execution of a Water Contract with the Commission. The current contracting members, consisting of Fayette, New Franklin and CPWSD #1 (collectively, the “**Water Purchasers**”), originally entered into a Water Contract dated April 15, 2011 with the Commission, but have recently revised and restated the original contract pursuant to an Amended and Restated Water Contract dated as of _____, 2021 (the “**Water Contract**”). Under the Water Contract, the Water Purchasers contract with the Commission for the purchase of water on a “take-or-pay” basis. The Water Purchasers have joint and several liability for the payment of all amounts due under the Water Contract.

Management and Administration

The Commission is governed by a Board of Directors pursuant to the Joint Contract. Each Member of the Commission appoints a director to sit on the Board of Directors. The current officers and directors of the Commission are listed on the inside front cover of this Official Statement.

Directors do not have set terms and receive no compensation for their services, except for reimbursement of expenses. Each Member of the Commission is also entitled to appoint an alternate to serve when a director cannot attend meetings or fulfill his or her official duties. The Board of Directors holds meetings at least annually and elects a Chairman, Secretary and Treasurer for a one-year term of office.

The Commission has no employees. For management of the System, the Commission contracts with PeopleService, Inc. (“**PeopleService**”). PeopleService specializes in the management and operation of water and wastewater facilities on a contract basis. Based out of Omaha, Nebraska, PeopleService has been serving

cities and communities throughout the Midwest for more than 32 years and has over 180 clients. The current operational and maintenance agreement between the Commission and PeopleService has been in place since 2016 and provides for routine operation and maintenance of the System by PeopleService seven days a week. Under the operational and maintenance agreement, PeopleService is responsible for the costs of personnel, chemicals, materials, supplies, contracted services, liability insurance, and equipment maintenance and repair (subject to certain limitations). The Commission pays PeopleService a flat rate per month, subject to annual adjustment based on the Consumer Price Index. The contract also includes floors and caps for maintenance costs and chemicals, which can result in additional payments to PeopleService or refunds to the Commission, and a provision to adjust compensation if excessive water production causes increased operational costs.

The Commission also contracts with PeopleService for administrative services relating to the System. The current administrative services agreement between the Commission and PeopleService has been in place since 2017. Under the administrative services agreement, the Commission pays a flat monthly rate to PeopleService for administrative services including managing customer contacts, billing and collection of payments, payment of vendor invoices and management of the Commission's accounts.

Jesse Howell, an employee of PeopleService, has been the manager / lead operator of the System since January 2017. He is charged with responsibility for the planning, operations and administration of the affairs of the organization. Jesse's certificates are Water Treatment A, Distribution III and Wastewater D. Joseph P Terrell is an additional certificated staff member with certifications of Water Treatment B and Distribution III.

Information Concerning Water Purchasers

Certain information regarding the Water Purchasers and their respective local water supply systems is contained under the caption "**WATER PURCHASERS**" herein.

THE SYSTEM

General

The System includes facilities for the pumping of raw water from two wells and purification, storage and distribution of potable water to the Water Purchasers. All required approvals and permits for operation of the System have been obtained and remain in place.

The System currently includes two wells, a 1.7 million gallons-per-day ("**MGD**") ground water treatment plant, approximately 11.5 miles of finished water transmission mains and approximately two miles of raw water transmission mains, an elevated 500,000 gallon storage facility and a 500,000 gallon clear well. The System is capable of supplying 1.7 MGD to its customers and averaged 0.466 MGD for Fiscal Year 2020. The distribution system has four points of connection to three Water Purchasers. The major components of the System are located on property or permanent easements owned by the Commission.

The Service Area

The Commission's service area currently consists of a portion of Howard County, Missouri ("**Howard County**"), located in north central Missouri. Not all cities and water providers within Howard County purchase their water supply from the Commission. The City of Glasgow produces its own water with a lime softening plant and two wells, and also provides water to Howard County Public Water Supply District No. 2. The City of Armstrong and other surrounding areas are provided water by Thomas Hill Public Water Supply District No. 1, which in turn purchases water from Clarence Cannon Wholesale Water Commission, a larger water commission in northeast Missouri.

Source of Water

The sole source of water for the System is two wells, which have been in operation since 2017. Known concerns for the water supply include potential flooding (due to the System’s close proximity to the Missouri River) and access to electricity during flooding. Electric transmission wires that support the System run along Missouri Highway 40 and County Road 345 to the wells. During flooding in 2019, water covered the road to the wells and almost reach the wells themselves. Ameren is the only power source available to the System.

Sales of Water from the System

The Commission has agreed to sell wholesale water to the Water Purchasers pursuant to the Water Contract. The Water Contract is a “take-or-pay” agreement that obligates each Water Purchaser to pay a pay a monthly Minimum Use Charge regardless of the amount of water it uses, but solely from the revenues of its Local System.

Minimum Use Charge. Each Water Purchaser is charged a minimum monthly use charge (the “**Minimum Use Charge**”) based on a base water rate (the “**Base Water Rate**”) calculated to cover Expenses of the System and debt service on the System Revenue Bonds and multiplied by each Water Purchaser’s Minimum Monthly Purchase (which is equal to 1/12th of the Water Purchaser’s annual Entitlement Share). The Entitlement Share and Minimum Monthly Purchase of each current Water Purchaser is as follows:

<i>Water Purchaser</i>	<i>Entitlement Share (gallons, annually)</i>	<i>Minimum Monthly Purchase (gallons, monthly)</i>
City of Fayette, Missouri	94,601,000	7,883,417
City of New Franklin, Missouri	25,009,000	2,084,083
Consolidated Public Water Supply District #1 of Howard County, Missouri	50,624,000	4,218,667

The initial Base Water Rate under the current Water Contract is \$5.50 per 1,000 gallons. The Base Water Rate may be reset by the Commission after the first year of the current Water Contract. Water Purchasers remain liable for Base Charges due under the Water Contract, notwithstanding any interruption in service or reduction of delivery of water to the Water Purchasers.

Additional Use Charge. The Commission charges an additional use charge (the “**Additional Use Charge**”) for water purchased in each month by a Water Purchaser in excess of the Entitlement Share for such Water Purchaser for the applicable Contract Year. The Additional Use Charge is based on an Additional Use Rate calculated to cover Expenses of the System (*excluding* debt service on the System Revenue Bonds) multiplied by each 1,000 gallons in excess of the Entitlement Share for the applicable Water Purchaser. The initial Additional Use Rate under the current Water Contract is \$3.50 per 1,000 gallons. The Additional Use Rate may be reset by the Commission after the first year of the current Water Contract.

Wheeling Charge. A “Wheeling Charge,” at a rate established by the Commission is charged to each Water Purchaser for each 1,000 gallons of water that is delivered to such Water Purchaser if such water must be delivered through transmission or distribution lines owned by a third party.

Debt Service Shortfall Charge. If necessary, a Debt Service Shortfall Charge may be imposed by the Commission, allocated in proportion to the Water Purchaser’s Entitlement Share. This charge is imposed if the collection of Minimum Use Charges, Additional Use Charges and Wheeling Charges are not sufficient to cover the debt service requirements on System Revenue Bonds.

Coverage Charge. If necessary, a charge may be added by the Commission for the purpose of funding any “coverage” amount required by the Bond Resolution or as determined by the Commission’s Board of Directors.

Collections. The Commission sends statements to each Water Purchaser around the 10th of each month. Statements for water service are payable no later than the 30th day of the month billed. For a brief period of time, one of the Water Purchasers was late in making payments to the Commission, which was attributed to a staffing problem in management of that Water Purchaser’s Local System. That staffing problem has been resolved and, since that time, the Commission has not experienced any difficulties with the Water Purchasers paying their statements in a timely manner.

Any statement not paid by the 30th day of the month is considered delinquent and will bear interest of 1.0% for each month or part thereof that it remains unpaid. In the event of any dispute as to any portion of any monthly statement, the Water Purchaser must still pay the full amount shown on such statement when due and, within sixty days from the date of such statement give written notice of the dispute to the Commission. The Commission must then give consideration to such dispute and advise the Water Purchaser with regard to the Commission’s position within thirty days following receipt of such written notice. Upon determination of the correct amount, any difference between such correct amount and such full amount is to be subtracted from the statement next submitted to the Water Purchaser after such determination.

Average Monthly Use by Water Purchasers

The following table sets forth the average monthly use of water by each Water Purchaser for the years shown and the percentage of each Water Purchaser’s Entitlement Share compared to the entire Water Contract:

Water Purchaser	FY 2017	FY 2018	FY2019	FY2020	Current Entitlement Share	% of Total Contract
Fayette	7,484,100	7,929,100	7,686,300	7,883,400	94,601,000	54.7%
New Franklin	1,987,500	2,637,300	2,340,800	2,084,100	25,009,000	16.7
CPWSD #1	4,943,000	4,980,200	4,013,900	4,218,700	50,624,000	28.6
TOTAL	<u>14,414,600</u>	<u>15,546,600</u>	<u>14,041,000</u>	<u>14,186,200</u>	<u>170,234,000</u>	<u>100.0%</u>

Largest Customers

The following table sets forth selected information regarding the largest water customers of all Water Purchasers in 2020:

<u>Member</u>	<u>Customer</u>	<u>Annual Usage (gallons)</u>
Fayette	Central Methodist University	11,667,390
Fayette	Fayette Housing	2,853,500
Fayette	MO Pacific Lumber	1,270,200
Fayette	Fayette Caring Center	1,130,600
Fayette	The Lodge	686,400

Source: Water Purchasers.

Future Expansion Plans

The Commission has one anticipated project consisting of improvements and equipment for a cone clarifier. This project is anticipated to cost approximately \$1,000,000 and the Commission will pursue completion within the next 5 years.

FINANCIAL INFORMATION CONCERNING THE SYSTEM

Accounting, Budgeting and Auditing Procedures

The Commission accounts for funds on the accrual basis of accounting, under which revenue is recorded when earned and expenses are recorded when incurred. The Commission is required to formally adopt a budget on an annual basis. The Commission's financial records are audited annually by a firm of independent certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Copies of the auditor's report are provided to all Water Purchasers. A copy of the Commission's audit for the fiscal year ended December 31, 2020 is attached as *Appendix C* to this Official Statement.

No Pension or Employee Benefits Plan

The Commission has no employees and therefore is not involved in any pension plan or other employee benefits programs.

System Water Rates and Revenues

The Commission has recently set the Base Water Rate under the Water Contract at \$5.50 per 1,000 gallons and the Additional Use Rate under the Water Contract at \$3.50 per 1,000 gallons. Additionally, it has established the Minimum Monthly Purchase amounts based on historical experience with respect to each of the Water Purchasers. These rates are designed to provide sufficient Revenues to operate and maintain the System and pay debt service on System Revenue Bonds based on historical sales data. A reduction in water sales by the System would result in increased costs per 1,000 gallons of water and an increase in required rates. Conversely an increase in wholesale water sales from the System may result in decreased rates.

Historic Water Sales Revenues. The revenues from water sales which the Commission has collected for the fiscal years set forth below are as follows:

<u>Year Ended December 31</u>	<u>Water Sales Revenues</u>
2020	\$896,436
2019	778,838
2018	838,783

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Historical Revenues and Expenses

The following table details the total revenues and expenses of the System for the fiscal years ended December 31, 2018 through December 31, 2020. This table has been derived from the audited financial statements of the Commission for fiscal years ended December 31, 2018 through December 31, 2020. The information with respect to the fiscal year ended December 31, 2020 should be read in conjunction with the audited financial statements of the Commission contained in *Appendix C* to this Official Statement.

Historic Income and Expense Statement

	<u>2018</u>	<u>2019</u>	<u>2020</u>
OPERATING REVENUES			
Sales	<u>\$838,783</u>	<u>\$778,838</u>	<u>\$896,436</u>
EXPENSES			
Contract Services	\$364,671	\$343,617	\$345,689
Insurance	21,601	30,215	28,786
Utilities	97,024	130,887	117,249
Repairs and Maintenance	7,392	12,613	7,842
Depreciation	663,499	665,093	666,057
Other	<u>1,847</u>	<u>877</u>	<u>10,834</u>
Total Operating Expenses	<u>\$1,156,034</u>	<u>\$1,183,302</u>	<u>\$1,176,457</u>
INCOME (LOSS) FROM OPERATIONS	<u>\$(317,251)</u>	<u>\$(404,464)</u>	<u>\$(280,021)</u>
NON-OPERATING REVENUE (EXPENSES)			
Other Income	\$46	\$446	\$401
Grant Income	0	0	0
Interest Income	1,858	1,703	600
Interest Expense	<u>(216,461)</u>	<u>(209,995)</u>	<u>(205,851)</u>
Total Non-Operating Revenue (Expense)	<u>\$(214,557)</u>	<u>\$(207,846)</u>	<u>\$(204,850)</u>
CHANGE IN NET POSITION	<u>\$(531,808)</u>	<u>\$(612,310)</u>	<u>\$(484,870)</u>
NET POSITION, BEGINNING OF YEAR	\$7,661,006	\$7,129,199	\$6,517,008*
NET POSITION, END OF YEAR	<u>\$7,129,198</u>	<u>\$6,516,889</u>	<u>6,032,138</u>

Source: Commission's Audited Financial Statements.

* Restated in the Commission's 2020 Audited Financial Statements from the ending fund balance reported in the Commission's 2019 Audited Financial Statements, a difference of \$119.

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Historic System Debt Service Coverage

The following table shows the Net Revenues of the System for the fiscal years ended December 31, 2018 through 2020 based on the Commission’s audited financial statements, and the debt service coverage applicable to the actual debt service on the Refunded Bonds. **There can be no assurance that the System’s past performance levels, which resulted in the net income and revenues arising from the operation of the System available for debt service set forth below, will continue to be attained in the future. The financial performance of the System depends on future events and conditions, the impact of which on the revenues of the System cannot be predicted.** See the caption “RISK FACTORS AND INVESTMENT CONSIDERATIONS” in this Official Statement.

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating Revenues	\$838,783	\$778,838	\$896,436
Non-operating Revenue	<u>1,904</u>	<u>2,149</u>	<u>1,001</u>
Total Revenues	<u>\$840,687</u>	<u>\$780,987</u>	<u>\$897,437</u>
Operating Expenses	\$(492,535)	\$(518,209)	\$(510,400)
Net Revenue Available for Payment of Debt Service	<u>\$348,152</u>	<u>\$262,778</u>	<u>\$387,037</u>
Debt Service on Bonds	\$271,587	\$352,248	\$352,241
Coverage on Bonds	1.28x	0.75x ⁽²⁾	1.10x

(1) Excludes grant income as restrictions on use prevent application to debt service.

(2) The Commission used cash on hand from prior fiscal years to make up the difference between Net Revenues and debt service on the Refunded Bonds in Fiscal Year 2019.

Source: Commission’s Audited Financial Statements.

The rates under the current Water Contract were established with the anticipation, based on historical experience of Commission operations, that the Minimum Use Charge will provide sufficient Revenues to pay the Expenses of the System and debt service on the Series 2021 Bonds with 1.1x coverage. In case of debt service shortfall, the Commission can impose additional charges, and can reset the rate used to establish the Minimum Use Charge on an annual basis. See “**THE SYSTEM – Sales of Water from the System,**” above, for discussion of the current rate structure and *Appendix A – “DEFINITIONS AND SUMMARY OF CERTAIN TRANSACTION DOCUMENTS,”* for a more detailed summary of the Water Contract.

Outstanding Debt

The Commission has issued its Water Refunding and Improvement Revenue Bonds, Series 2015A, in the original aggregate principal amount of \$5,473,000 (the “**Series 2015A Bonds**”) and Water Revenue Bonds, Series 2015B, in the original aggregate principal amount of \$1,969,000 (the “**Series 2015B Bonds**”) in order to finance and refinance the costs of designing and constructing its water collection, treatment and distribution system. All outstanding Series 2015A Bonds and Series 2015B Bonds will be refunded by the Series 2021 Bonds, leaving only the Series 2021 Bonds outstanding after their issuance.

Debt Service Requirements *

The following table shows the debt service payments on the Series 2021 Bonds.

<u>Fiscal</u> <u>Year</u>	<u>Series 2021 Bonds</u>		<u>Total Combined</u> <u>Annual</u> <u>Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$155,000	\$47,444.86	\$202,444.86
2022	200,000	138,243.00	338,243.00
2023	200,000	137,383.00	337,383.00
2024	205,000	136,383.00	341,383.00
2025	205,000	135,091.50	340,091.50
2026	205,000	133,390.00	338,390.00
2027	205,000	131,360.50	336,360.50
2028	210,000	129,023.50	339,023.50
2029	210,000	126,272.50	336,272.50
2030	215,000	123,164.50	338,164.50
2031	215,000	119,660.00	334,660.00
2032	220,000	115,983.50	335,983.50
2033	225,000	112,023.50	337,023.50
2034	225,000	107,838.50	332,838.50
2035	230,000	103,473.50	333,473.50
2036	235,000	98,919.50	333,919.50
2037	240,000	94,149.00	334,149.00
2038	245,000	89,181.00	334,181.00
2039	245,000	84,036.00	329,036.00
2040	250,000	78,817.50	328,817.50
2041	255,000	73,417.50	328,417.50
2042	265,000	67,833.00	332,833.00
2043	270,000	61,923.50	331,923.50
2044	275,000	55,821.50	330,821.50
2045	280,000	49,496.50	329,496.50
2046	285,000	43,000.50	328,000.50
2047	290,000	36,331.50	326,331.50
2048	300,000	29,487.50	329,487.50
2049	305,000	22,347.50	327,347.50
2050	315,000	15,088.50	330,088.50
2051	315,000	7,560.00	322,560.00
TOTAL	\$7,495,000	\$2,704,145.86	\$10,199,145.86

Future Debt Plans

The Commission anticipates that it will seek financing for the project described under the caption “**THE SYSTEM – Future Expansion Plans**” above. This may be achieved through the issuance of Parity Bonds purchased by the United States Department of Agriculture.

* Preliminary, subject to change.

History of Defaults

The Commission has not defaulted with respect to any obligations payable from revenues derived from the System. None of the Water Purchasers has ever been in default under the Water Contract.

WATER PURCHASERS

City of Fayette, Missouri. Fayette is located at the junction of Highways 5 and 240 in Howard County and covers approximately 2.25 square miles. Fayette had a 2019 population of 2,689. In 2020, Fayette purchased 100% of its water supply from the Commission. Fayette currently supplies water to approximately 1,064 customers in Howard County. Fayette's local system consists of distribution lines and 700,000 gallons of storage in two elevated storage facilities. For its most recently ended fiscal year, Fayette's local system had revenues of \$1,525,263 and expenses (excluding depreciation) of \$1,202,061.

City of New Franklin, Missouri. New Franklin is located approximately one mile north of the junction of Highways 5 and 40 in Howard County and covers approximately 1.33 square miles. New Franklin had a 2019 population of 1,057. In 2020, New Franklin purchased 100% of its water supply from the Commission. New Franklin currently supplies water to approximately 400 customers in Howard County. New Franklin's local system consists of distribution lines and 150,000 gallons of storage. For its most recently ended fiscal year, New Franklin's local system had revenues of \$803,483 and expenses (excluding depreciation) of \$787,346.

Consolidated Public Water Supply District #1 of Howard County, Missouri. CPWSD #1 is headquartered in the City of Franklin, Missouri, which is located about one-half mile southwest of New Franklin. The service area of CPWSD #1 covers approximately 353 square miles. In 2020, CPWSD #1 purchased 100% of its water supply from the Commission. CPWSD #1 currently supplies water to approximately 800 customers in Howard County. CPWSD #1's local system consists of distribution lines and 205,000 gallons of storage. For its most recently ended fiscal year, CPWSD #1's local system had revenues of \$631,497 and expenses (excluding depreciation) of \$578,223.84.

APPENDIX C

FINANCIAL STATEMENTS OF THE COMMISSION

HOWARD COUNTY REGIONAL WATER COMMISSION

New Franklin, Missouri

INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2020

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1 – 3
FINANCIAL STATEMENTS:	
Statement of Net Position	4
Statement of Revenues, Expenses, and Changes in Fund Net Position	5
Statement of Cash Flows	6
NOTES TO THE FINANCIAL STATEMENTS	7 – 13
SUPPLEMENTARY INFORMATION	
<u>Federal Compliance Section</u>	
Schedule of Expenditures of Federal Awards	14
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15 – 16
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the <i>Uniform Guidance</i>	17 – 18
Schedule of Findings 2 CFR Section 200.515	19 – 20
Corrective Action Plan	21 – 22



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Howard County Regional Water Commission
New Franklin, Missouri:

We have audited the accompanying financial statements of the business-type activities of the Howard County Regional Water Commission (the "Commission"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Commission, as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Emphasis of a Matter

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2021, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Graves and Associates,
CPAs, LLC

GRAVES AND ASSOCIATES, CPAs, LLC
Jefferson City, Missouri

February 23, 2021

HOWARD COUNTY REGIONAL WATER COMMISSION

STATEMENT OF NET POSITION
DECEMBER 31, 2020

<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 209,847
Debt Service Account	153,518
Accounts Receivable	77,160
Total Current Assets	<u>440,524</u>
Noncurrent Assets:	
Nondepreciable Capital Assets	
Land	109,564
Total Nondepreciable Capital Assets	<u>109,564</u>
Depreciable Capital Assets	
Equipment	2,371,732
Building	7,702,512
Well	623,695
Tower/Tank	1,597,759
Distribution	2,895,342
Total Depreciable Capital Assets	<u>15,191,040</u>
Less: Accumulated Depreciation	<u>(2,545,325)</u>
Net Depreciable Capital Assets	<u>12,645,715</u>
Total Noncurrent Assets	<u>12,755,279</u>
Total Assets	<u>13,195,803</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	83,265
USDA Loans - Current Portion	150,736
Total Current Liabilities	<u>234,001</u>
Noncurrent Liabilities:	
USDA Loans	7,080,400
Less: Current Portion	<u>(150,736)</u>
Total Noncurrent Liabilities	<u>6,929,664</u>
Total Liabilities	<u>7,163,665</u>
<u>Net Position</u>	
Invested in Capital Assets, net of Related Debt	5,674,878
Unrestricted	<u>357,260</u>
Total Net Position	<u>\$ 6,032,138</u>

The accompanying notes are an integral part of these financial statements.

HOWARD COUNTY REGIONAL WATER COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

Operating Revenues:	
Water Sales	\$ 896,436
Total Operating Revenues	<u>896,436</u>
Operating Expenses:	
Accounting	7,530
Bank Service Charge	78
Contract Services	345,689
Depreciation Expense	666,057
Dues and Subscriptions	220
Fees	161
Insurance and Bonds	28,786
Legal	2,490
Miscellaneous	155
Licenses and Permits	200
Repairs and Maintenance	7,842
Utilities	117,249
Total Operating Expenses	<u>1,176,457</u>
Income (Loss) From Operations	(280,021)
Non-Operating Revenues (Expenses):	
Other Income	401
Interest Income	600
Interest Expense	(205,851)
Total Non-Operating Revenues (Expenses)	<u>(204,850)</u>
Change in Net Position	(484,870)
Net Position, Beginning of Year	<u>6,517,008</u>
Net Position, End of Year	<u><u>\$ 6,032,138</u></u>

The accompanying notes are an integral part of these financial statements.

HOWARD COUNTY REGIONAL WATER COMMISSION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows from Operating Activities:	
Receipts from Members	\$ 878,469
Cash Paid to Suppliers	(491,655)
Net Cash Provided (Used) by Operating Activities	<u>386,814</u>
Cash Flows from Capital and Related Financing Activities:	
Reimbursed Expense	401
Bonds Payable	(146,396)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(145,995)</u>
Cash Flows from Investing Activities:	
Interest	(205,251)
Net Cash Provided (Used) by Investing Activities	<u>(205,251)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	35,568
Cash and Cash Equivalents, Beginning of Year	<u>327,797</u>
Cash and Cash Equivalents, End of Year	<u>\$ 363,365</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (280,021)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	666,057
(Increase) Decrease in Accounts Receivable	(17,967)
Increase (Decrease) in Accounts Payable	18,745
Total Adjustments	<u>666,835</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 386,814</u>

The accompanying notes are an integral part of these financial statements.

HOWARD COUNTY REGIONAL WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of Operations

The Howard County Regional Water Commission (the “Commission”) was incorporated under provisions of the State of Missouri. The primary purpose of the Commission is to obtain, for the contracting municipalities, joint water supply facilities and potable water supplies required to meet the needs in whole or in part of such contracting municipalities and the residents thereof in an economic and feasible manner.

The Commission is empowered by Section 247, RSMo. The Commission’s Governing Board controls all aspects of general operations.

Reporting Entity

The Commission’s financial statements include the accounts of all Commission operations. The following criteria regarding manifestation of oversight were considered by the Commission in its evaluation of Commission organizations and activities:

Election of Government Authority – The locally elected Board of Directors is exclusively responsible for all public decisions and accountable for the decisions it makes.

Ability to Significantly Influence Operations – The Board of Directors has the statutory authority under the provisions of the Revised Statutes to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

Accountability of Fiscal Matters – The responsibility and accountability over all funds is vested in the Commission’s Board of Directors.

Financial Statement Presentation Basis of Accounting

The Commission prepares its financial statements on an enterprise fund basis. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private businesses. The intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges, or where it has been deemed that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Accordingly, the Commission’s financial statements are presented on the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when incurred.

HOWARD COUNTY REGIONAL WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Budgets and Budgetary Accounting

The Commission is responsible for compliance with Section 67, RSMo, requiring a political subdivision to formally adopt annual budgets.

Cash and Cash Equivalents

The Commission considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable is primarily amounts due from the Commission's members. Management has deemed all accounts receivable are fully collectible from the members. Therefore, no allowance for uncollectible accounts has been established.

Capital Assets

Capital assets, which includes land, buildings, distribution systems, machinery and equipment, and improvements, are stated at cost. The Commission defines capital assets as assets with an initial individual cost of \$1,000 or more, and an estimated useful life of more than one year. Maintenance and repairs of property and routine replacements and renewals of items are charged to operations. Major improvements or extensions are capitalized.

Capital assets are depreciated over their estimated service life on the straight-line method. Estimated asset lives are as follows:

Equipment	6 - 10 years
Water System	50 years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOWARD COUNTY REGIONAL WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Other Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities.

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, capital contributions, and special items. Net position is classified in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

Operating Revenues

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Commission’s principal on-going operations. The principal operating revenues of the Commission are charges to customers for sales and services. Operating expenses for the Commission include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources as needed.

These distinctions and policies also apply to the Statement of Cash Flows.

HOWARD COUNTY REGIONAL WATER COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 – CASH:

Custodial Credit Risk – Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. Deposits in financial institutions, reported as cash, had book balance and an institution balance of \$363,365, as of the year ended, which was fully insured by the Federal Deposit Insurance Corporation (FDIC) and by collateral pledged by the financial institution in the District’s name.

NOTE 3 – LONG-TERM DEBT:

The following is a summary of bond transactions of the Commission as of the year ended:

	Revenue
	<u>Bonds</u>
Balance - Beginning	\$ 7,226,790
Additions	-0-
Reductions	<u>(146,390)</u>
Balance - Ending	<u>\$ 7,080,400</u>

Bond Issuance

During 2016, the Commission issued a Waterworks System Revenue Bond to be held by the United States Department of Agriculture (USDA), Rural Development. The principal amount of \$1,969,000, of insured funds at 2.875% interest rate, for the purpose of building the water plant and to pay costs related to the issuance of the bonds.

The Bond Reserve Fund will have a Debt Service Reserve Requirement (“DSRR”) established at \$93,240. The DSRR will accumulate at a rate of at least \$777, per month, until the DSRR is reached.

The annual debt service requirements to maturity, including principal and interest for long-term debt, as of the year ended, were as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2021	\$ 53,311	\$ 39,882	\$ 93,193
2022	52,149	41,044	93,193
2023	50,952	42,241	93,193
2024	49,722	43,471	93,193
2025	48,455	44,738	93,193
2026-2030	221,943	244,022	465,965
2031-2035	184,258	281,707	465,965
2036-2040	140,757	325,208	465,965
2041-2045	90,536	375,429	465,965
2046-2050	32,563	433,402	465,965
2051	2	2,161	2,163
	<u>\$ 924,648</u>	<u>\$ 1,873,305</u>	<u>\$ 2,797,953</u>

HOWARD COUNTY REGIONAL WATER COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 3 – LONG-TERM DEBT: (Continued)

Bond Issuance (Continued)

Interest expense for the year ended was \$54,463.

During 2016, the Commission issued a Waterworks System Revenue Bond to be held by the United States Department of Agriculture (USDA), Rural Development. The principal amount of \$5,473,000, of insured funds at 2.875% interest rate, for the purpose of building the water plant and to pay costs related to the issuance of the bonds.

The Bond Reserve Fund will have a Debt Service Reserve Requirement (“DSRR”) established at \$259,080. The DSRR will accumulate at a rate of at least \$2,159, per month, until the DSRR is reached.

The annual debt service requirements to maturity, including principal and interest for long-term debt, as of the year ended, were as follows:

Year	Interest	Principal	Total
2021	\$ 148,184	\$ 110,854	\$ 259,038
2022	144,954	114,084	259,038
2023	141,630	117,408	259,038
2024	138,210	120,828	259,038
2025	134,690	124,348	259,038
2026-2030	616,951	678,239	1,295,190
2031-2035	512,227	782,963	1,295,190
2036-2040	391,336	903,854	1,295,190
2041-2045	251,780	1,043,410	1,295,190
2046-2050	90,677	1,204,513	1,295,190
2051	10	6,594	6,604
	\$2,570,649	\$5,207,095	\$7,777,744

Interest expense for the year ended was \$151,388.

NOTE 4 – RISK MANAGEMENT:

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission purchases commercial insurance for all risks of loss. Settled claims have not exceeded this commercial insurance coverage in any of the past three years.

HOWARD COUNTY REGIONAL WATER COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 5 – CAPITAL ASSETS:

Capital assets activities for the year ended were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated/amortized:				
Land	\$ 109,564	\$ -	\$ -	\$ 109,564
Total capital assets not being depreciated/amortized	109,564	-	-	109,564
Capital Assets being depreciated/amortized:				
Equipment	2,371,732	-	-	2,371,732
Building	7,702,512	-	-	7,702,512
Well	623,695	-	-	623,695
Tower/Tank	1,597,759	-	-	1,597,759
Distribution	2,895,342	-	-	2,895,342
Total capital assets being depreciated/amortized	15,191,040	-	-	15,191,040
Less accumulated depreciation/amortization:				
Equipment	668,556	238,747	-	907,302
Building	727,460	256,750	-	984,210
Well	58,905	20,790	-	79,694
Tower/Tank	150,899	53,259	-	204,158
Distribution	273,449	96,511	-	369,960
Total depreciation/amortization	1,879,269	666,057	-	2,545,325
Depreciable/amortizable capital assets, net	13,311,771	(666,057)	-	12,645,715
Business-type activities, net	\$13,421,335	\$ (666,057)	\$ -	\$12,755,279

Depreciation expense for the year ended was \$666,057.

HOWARD COUNTY REGIONAL WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6 – CHANGE IN NET POSITION:

The Commission’s operations include depreciation expense on the Statement of Revenues, Expenses, and Changes in Fund Net Position, on page 5. Depreciation expense is classed as operating expenses, in accordance with the accrual basis of accounting. This presentation results in a net operating loss for the year.

NOTE 7 – EVALUATION OF SUBSEQUENT EVENTS:

The Commission has evaluated subsequent events through February 23, 2021, the date which the financial statements were available to be issued.

On March 11, 2020, Coronavirus (“COVID-19”) was declared a pandemic by the World Health Organization. As of the date of this report, any potential effects of COVID-19, whether operational or financial, for the Commission are unknown. An estimate of the actual effects, whether operational or financial, cannot be reasonably determined as of the date of this report.

SUPPLEMENTARY
INFORMATION

FEDERAL COMPLIANCE SECTION

Howard County Regional Water Commission
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures(\$)</i>
United States Department of Agriculture Direct Awards Water and Waste Disposal Systems for Rural Communities	10.760	\$ -
<i>Total Expenditures of Federal Awards</i>		<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards

Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Commission under programs of the federal government for the year ended. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Commission.

Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the basis of accounting generally accepted in the United States of America (U.S. GAAP). Such expenditures are recognized following the costs principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Commission has elected not to use the 10-percent de minimis indirect cost rate allowed under the *Uniform Guidance*.

Loan Balances

In addition to the amount reported for CFDA No. 10.760 on the above schedule the following amounts are due on the USDA Loans:

USDA Loan 91-01	\$ 5,207,095
USDA Loan 91-03	1,873,305
Total	<u>\$ 7,080,400</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Howard County Regional Water Commission
New Franklin, Missouri:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Howard County Regional Water Commission (the "Commission"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency. It is Item 2020-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Commission's Response to Finding

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Graves and Associates,
CPAs, LLC

GRAVES AND ASSOCIATES, CPAs, LLC
Jefferson City, Missouri

February 23, 2021



3702 West Truman Blvd, Suite 213
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Web: gravescpas.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

To the Board of Directors of
Howard County Regional Water Commission
New Franklin, Missouri:

We have audited the Howard County Regional Water Commission's (the "Commission") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended December 31, 2020. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Graves and Associates,
CPAs, LLC

GRAVES AND ASSOCIATES, CPAs, LLC
Jefferson City, Missouri

February 23, 2021

HOWARD COUNTY REGIONAL WATER COMMISSION
 SCHEDULE OF FINDINGS 2 CFR SECTION 200.515
 FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS:

Financial Statements:

Type of Financial Statement Opinion: Unmodified

Internal Control Over Financial Reporting (GAGAS):

- Material weakness(es) reported? No
- Significant deficiency(ies) reported? Yes
- Noncompliance material to financial statements noted (GAGAS)? No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) reported? No
- Significant deficiency(ies) reported? No

Type of Opinion on Compliance for Major Programs: Unmodified

Are there any reportable findings under 2 CFR Section 200.516(a)? No

Identification of Major Programs:

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
	<u>U.S. Department of Agriculture:</u>
10.760	Water and Waste Disposal Systems for Rural Communities
Dollar Threshold: Type A/B Programs	Type A: >\$750,000 Type B: All Others
Low Risk Auditee under 2 CFR Section 200.520?	Yes

HOWARD COUNTY REGIONAL WATER COMMISSION
SCHEDULE OF FINDINGS 2 CFR SECTION 200.515
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION II – FINANCIAL STATEMENTS FINDINGS:

SIGNIFICANT DEFICIENCIES:

2020-001: Segregation of Duties

Criteria: Duties should be segregated so that no one employee and/or contracted third party has access to both physical assets and the related accounting records, or to all phases of a transaction. The Commission has mitigating controls in place, but it is not possible to have segregation in all areas.

Condition: As in many smaller to medium-sized organizations, it is difficult to obtain proper segregation of duties due to the limited number of employees and/or contracted third parties.

Effect: Due to the limited number of employees and/or contracted third parties, the Commission might not prevent, or detect and correct misstatements on a timely basis in the normal performance of duties.

Recommendation: We recognize that because of limited resources and personnel, and/or contracted third parties, management may not be able to achieve a proper segregation of duties. However, professional standards require that we bring this lack of segregation of duties to your attention. We recommend management continue to review these processes accordingly to optimize the functionality of internal controls.

Response/Current Status: The Commission recognizes that the limited number of employees and/or contracted third parties prohibits proper segregation of duties in all areas. The Commission will continue to review these processes accordingly to optimize the functionality of internal controls.

SECTION III – FEDERAL AWARD FINDINGS :

No matters were reported.

CORRECTIVE ACTION PLAN
February 23, 2021

U.S. Department of Agriculture

Howard County Regional Water Commission respectfully submits the following corrective action plan for the year ended December 31, 2020.

Contact information for the individual responsible for the corrective action:

Mr. Mike Munderloh
Contracted Bookkeeper
People Service, Inc. for Howard County Regional Water Commission
209 S. 19th Street, Suite 555
Omaha, NE 68102
402.344.4800 x 7013

Independent Public Accounting Firm:
Graves and Associates, CPAs, LLC
3702 West Truman Blvd, Suite 213
Jefferson City, MO 65109
573.893.7700

Audit Period: Year ended December 31, 2020

The finding from the December 31, 2020, Schedule of Findings is discussed below. The finding is numbered consistently with the numbers assigned in the schedule.

CORRECTIVE ACTION PLAN (Continued)
February 23, 2021

Financial Statement Finding

SIGNIFICANT DEFICIENCY:

2020-001: Segregation of Duties

Criteria: Duties should be segregated so that no one employee and/or contracted third party has access to both physical assets and the related accounting records, or to all phases of a transaction. The Commission has mitigating controls in place, but it is not possible to have segregation in all areas.

Condition: As in many smaller to medium-sized organizations, it is difficult to obtain proper segregation of duties due to the limited number of employees and/or contracted third parties.

Effect: Due to the limited number of employees and/or contracted third parties, the Commission might not prevent, or detect and correct misstatements on a timely basis in the normal performance of duties.

Recommendation: We recognize that because of limited resources and personnel, and/or contracted third parties, management may not be able to achieve a proper segregation of duties. However, professional standards require that we bring this lack of segregation of duties to your attention. We recommend management continue to review these processes accordingly to optimize the functionality of internal controls.

Action Taken: The limited number of personnel prohibits segregation of duties and the District does not have the resources to hire additional personnel.

Completion Date: Not applicable.

Sincerely,

Mr. Mike Munderloh
People Service, Inc. for Howard County Regional Water Commission

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

Howard County Regional Water Commission
New Franklin, Missouri

[Underwriter]
[Underwriter's City, State]

Build America Mutual Assurance Company
New York, New York

Re: \$_____ Howard County Regional Water Commission, Water Refunding Revenue
 Bonds, Series 2021

Ladies and Gentlemen:

We have acted as bond counsel to the Howard County Regional Water Commission (the "Commission"), in connection with the issuance of the above-captioned bonds (the "Bonds"). In this capacity we have examined the law and the certified proceedings, certifications and other documents that we deem necessary to render this opinion.

The Bonds are issued pursuant to a resolution passed by the Board of Directors of the Commission (the "Resolution"). Capitalized terms used and not otherwise defined in this opinion have the meanings assigned to those terms in the Resolution.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials furnished to us without undertaking to verify them by independent investigation.

Based on and subject to the foregoing, we are of the opinion, under existing law, as follows:

1. The Commission is validly existing as a political subdivision of the State of Missouri with the power to adopt the Resolution, perform the agreements on its part contained therein, and issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the Commission and are valid and legally binding special obligations of the Commission.
3. The Bonds are payable solely from the net income and revenues derived by the Commission from the operation of the System, after providing for the costs of operation and maintenance thereof. The Bonds do not constitute general obligations of the Commission nor do they constitute an indebtedness of the Commission within the meaning of any constitutional or statutory provision, limitation or restriction. The Commission has no taxing power.
4. The Resolution has been duly passed by the Board of Directors of the Commission and constitutes a valid and legally binding obligation of the Commission enforceable against the Commission. The Resolution creates a valid lien on the Net Revenues of the System.

5. The Water Contract has been duly authorized pursuant to law, has been properly executed by the parties thereto and constitutes a valid and binding obligation of the parties thereto enforceable in accordance with its terms.

6. The interest on the Bonds (i) is excludable from gross income for federal income tax purposes, (ii) is exempt from income taxation by the State of Missouri, and (iii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Commission complies 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, excludable from gross income for federal income tax purposes. The Commission has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Bonds to be included in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement). Further, we express no opinion regarding the perfection or priority of the lien on the Net Revenues of the System under the Resolution or tax consequences arising with respect to the Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent applicable and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Very truly yours,

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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