

**New Issue
Book - Entry Only**

**Ratings: (BAM Insured) S&P: "AA/Stable"
(Underlying) S&P: "A+ (Stable)"**

*In the opinion of Bond Counsel, interest on the Series 2019 Bonds is **NOT** excludable from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Series 2019 Bonds is exempt from State of Arkansas income tax, and the Series 2019 Bonds are exempt from property taxes in the State of Arkansas. (See **TAX MATTERS**.)*

\$59,295,000
**BENTON WASHINGTON REGIONAL PUBLIC
WATER AUTHORITY OF THE STATE OF ARKANSAS
WATER REVENUE REFUNDING AND IMPROVEMENT BONDS,
SERIES 2019B (TAXABLE)**

Dated: Date of Delivery

**Due: October 1, as shown
on the inside front cover**

Interest on the Series 2019 Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2020, and the Series 2019 Bonds mature on October 1 of each year.

**(FOR THE MATURITY SCHEDULE, INTEREST RATES AND YIELDS,
SEE THE INSIDE FRONT COVER)**

The Series 2019 Bonds are obligations only of the Authority and are not obligations of the State of Arkansas or Benton or Washington Counties. The Authority has no taxing power. The payment of principal of and interest on the Series 2019 Bonds is primarily secured by and payable from a pledge of the Authority's revenues and other resources including revenues derived from water contracts with wholesale customers, on a parity of security with certain obligations of the Authority as described herein, pursuant to the terms of a Trust Indenture dated as of the dated date of the Series 2019 Bonds, between the Authority and Regions Bank, with offices in Little Rock, Arkansas, as Trustee (the "Trustee").

The Series 2019 Bonds of each maturity will be initially issued as a single registered bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Series 2019 Bonds will be available for purchase in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Series 2019 Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Series 2019 Bonds will be made by the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Series 2019 Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Series 2019 Bonds, all as further described herein.

The scheduled payment of principal of and interest on the Series 2019 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2019 Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



The Series 2019 Bonds are offered when, as and if issued, subject to approval as to the legality by Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, and subject to satisfaction of certain other conditions. Certain matters will be passed upon for the Authority by its counsel Hall Estill, Fayetteville, Arkansas. Delivery of the Series 2019 Bonds is expected in New York, New York, on or about October 31, 2019.



Dated: October 8, 2019

\$59,295,000
BENTON WASHINGTON REGIONAL PUBLIC
WATER AUTHORITY OF THE STATE OF ARKANSAS
WATER REVENUE REFUNDING AND IMPROVEMENT BONDS,
SERIES 2019B (TAXABLE)

MATURITY SCHEDULE

\$20,520,000 Serial Bonds

<u>Year</u> <u>(October 1)</u>	<u>Amount</u>	<u>Rate (%)</u>	<u>Yield (%)</u>
2020	\$1,985,000	1.910	1.910
2021	1,895,000	1.920	1.920
2022	1,930,000	1.960	1.960
2023	1,965,000	2.030	2.030
2024	2,010,000	2.060	2.060
2025	2,050,000	2.160	2.160
2026	2,100,000	2.240	2.240
2027	2,145,000	2.340	2.340
2028	2,195,000	2.420	2.420
2029	2,245,000	2.470	2.470

\$ 9,585,000 2.750% Term Bonds due October 1, 2033 to Yield 2.780%

\$ 7,925,000 3.000% Term Bonds due October 1, 2036 to Yield 3.050%

\$ 7,675,000 3.125% Term Bonds due October 1, 2039 to Yield 3.170%

\$13,590,000 3.200% Term Bonds due October 1, 2044 to Yield 3.270%

No dealer, broker, salesman or any other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2019 Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

The Underwriter has gathered the information in this Official Statement from sources it believes to be reliable, including primarily the Authority. The Underwriter does not guarantee this information as to its completeness or its accuracy.

By its purchase of the Series 2019 Bonds, an investor is acknowledging that it has reviewed all the information it deems necessary to make an informed decision, and that it is not relying on any representation of the Underwriter or any of its officers, representatives, agents, or directors in reaching its decision to purchase the Series 2019 Bonds.

The investor, by its purchase of the Series 2019 Bonds, acknowledges its consent for the Underwriter to rely upon the investor's understanding of and agreement to the preceding two paragraphs as such relates to the disclosure and fair dealing obligations that may be applicable to the Underwriter under applicable securities laws and regulations.

The Series 2019 Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Indenture described herein been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions in such laws from such registration and qualification.

Build America Mutual Assurance Company (the "Insurer") makes no representation regarding the Series 2019 Bonds or the advisability of investing in the Series 2019 Bonds. In addition, the Insurer 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 the Insurer, supplied by the Insurer and presented under the heading "Bond Insurance" and "Appendix B - Specimen Municipal Bond Insurance Policy".

CONTENTS OF OFFICIAL STATEMENT

	<u>Page</u>
Introduction	1
Purposes of Series 2019 Bonds	2
The Series 2019 Bonds	4
Security for the Bonds	6
The Authority	9
Financial Information	14
Debt Service Schedules	15
Estimated Debt Service Coverage	17
The Entities and the Counties	18
Bond Insurance	23
The Indenture	26
The Continuing Disclosure Agreement	34
Book-Entry Only System	39
Tax Matters	41
Legality	43
Litigation	43
Enforceability of Remedies	44
Underwriting	44
Ratings	44
Miscellaneous	44
Appendix A - Audited Financial Statements of the Authority for the Fiscal Years Ended December 31, 2018 and 2017	
Appendix B - Specimen Municipal Bond Insurance Policy	

OFFICIAL STATEMENT

\$59,295,000

**BENTON WASHINGTON REGIONAL PUBLIC
WATER AUTHORITY OF THE STATE OF ARKANSAS
WATER REVENUE REFUNDING AND IMPROVEMENT BONDS,
SERIES 2019B (TAXABLE)**

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the Series 2019 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof, the inside cover page hereof, and the appendices hereto. A full review should be made of the entire Official Statement, as well as the Indenture described herein.

This Official Statement is furnished to prospective investors in connection with the sale by the Benton Washington Regional Public Water Authority of the State of Arkansas (the "Authority") of its Water Revenue Refunding and Improvement Bonds, Series 2019B, in the aggregate principal amount of \$59,295,000 (the "Series 2019 Bonds"), dated as of the date of delivery thereof. The Series 2019 Bonds mature and bear interest as shown on the inside front cover.

The Series 2019 Bonds are being issued to provide funds to be used to (a) refund the Authority's Water Revenue Refunding Bonds, Series 2014 (the "Series 2014 Bonds") and (b) finance the costs of acquiring, constructing and equipping extensions, betterments and improvements to the Authority's water facilities as described herein (the "Project"). See **PURPOSES FOR THE SERIES 2019 BONDS** herein. The Series 2019 Bonds are issued under and are secured by a Trust Indenture dated as of the dated date of the Series 2019 Bonds (the "Indenture"), between the Authority and Regions Bank, as trustee (the "Trustee"). See **THE INDENTURE**.

The Series 2019 Bonds will be issued pursuant to a Resolution adopted by the Board of Directors of the Authority.

Payment of principal of the Series 2019 Bonds will be made at the corporate trust office of the Trustee located in Little Rock, Arkansas. Payment of interest on the Series 2019 Bonds shall be by check or draft to the registered owner of the Series 2019 Bonds.

The Series 2019 Bonds are payable from, and secured by a pledge of, the Authority's revenues and other resources, including particularly, and without limitation, revenues derived from water contracts with wholesale customers on a parity of security with the currently outstanding Parity Obligations (as defined in **SECURITY FOR THE BONDS**), and a lien on and security interest in certain of its properties. (See **SECURITY FOR THE BONDS, THE AUTHORITY and THE ENTITIES AND THE COUNTIES**.)

The scheduled payment of the principal of and interest on the Series 2019 Bonds when due will be guaranteed under a municipal bond insurance policy (the "Insurance Policy") to be issued by Build America Mutual Assurance Company (the "Insurer" or "BAM") simultaneously with the delivery of the Series 2019 Bonds. A specimen municipal bond insurance policy is attached hereto as Appendix B. It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, will assign a rating of "AA/Stable" to the Series 2019 Bonds based upon the issuance of the Insurance Policy by the Insurer at the time of delivery of the Series 2019 Bonds. However, there is no guarantee that such rating will be received. See **BOND INSURANCE** and **RATINGS** herein.

This Official Statement contains brief descriptions of the Series 2019 Bonds, security for the Series 2019 Bonds, the Authority, the Entities (as hereinafter defined) and the Indenture. The descriptions and summaries herein do not purport to be comprehensive or definitive and reference is made to each document or statute for the complete details of all terms and conditions. Terms not defined herein shall have the meanings set forth in the respective documents.

PURPOSES OF SERIES 2019 BONDS

The Series 2019 Bonds are being issued (i) to refund the Series 2014 Bonds (the "Refunding"), (ii) to finance all or a portion of the costs of the Project, (iii) to provide a debt service reserve, and (iv) to pay costs of issuing and insuring the Series 2019 Bonds.

The Project includes particularly, without limitation, acquisition and installation of a 24" parallel water line from the Decatur Tanks south to existing parallel lines, acquisition and installation of a 24" parallel water line from the Lincoln Tank south to the Washington Water Authority and Prairie Grove Battlefield vaults, acquisition, construction, and installation of a ground storage tank at the Lincoln tank site, acquisition, installation, and equipping of a high service pump and motor, and relocation of the 12" Westville (Oklahoma) Utility Authority water main. The work on the Project is expected to commence in December 2019 and is expected to be completed in July 2022.

A portion of the proceeds from the sale of the Series 2019 Bonds will be deposited with the trustee for the Series 2014 Bonds and invested in United States Treasury Obligations (State and Local Government Series), and applied on each payment date to and including October 1, 2021 to pay principal of and interest on the Series 2014 Bonds, and to redeem the Series 2014 Bonds maturing after October 1, 2021 on October 1, 2021 at a price of par plus accrued interest.

The Series 2014 Bonds were issued to provide funds to (a) advance refund the Authority's Water Revenue Refunding and Improvement Bonds, Series 2007 (the "Series 2007 Bonds"), (b) current refund indebtedness incurred to acquire water storage space in Beaver Lake by providing necessary funds for the Authority to exercise its prepayment option under the Water Supply Storage Agreement dated July 24, 1996 (the "Water Supply Storage Agreement") by and between the United States of America and the Benton/Washington County Water Association (as predecessor to the Authority), and (c) current refund the indebtedness represented by the Lease-Purchase Agreement dated July 17, 2002, as amended (the "ANRC Lease"), between the Authority and the Arkansas Natural Resources Commission. The Water Supply Storage Agreement financed the utilization and acquisition by the Authority of water storage space in Beaver Lake. The ANRC Lease financed extensions, betterments and improvements to the Authority's water system. The Series 2007 Bonds were issued to (a) current refund certain outstanding United States Department of Agriculture - Rural Development notes dated September 20, 1996 (collectively, the "Rural Development Notes"), (b) current refund the Authority's Water Revenue Bonds, Series 2002A, dated July 23, 2002 (the "Series 2002A Bonds"), (c) current refund the Authority's Water Revenue Bond, Series 2002C, dated December 2, 2002 (the "Series 2002C Bond"), and (d) finance the costs of acquiring, constructing and equipping extensions, betterments and improvements to the Authority's water facilities, including particularly, without limitation, expansions to the Authority's water treatment plant, improvements to the Authority's water intake facilities, acquisition and construction of a water storage tank and improvements to water lines. The Rural Development Notes, the Series 2002A Bonds and the Series 2002C Bond financed extensions, betterments and improvements to the Authority's water system.

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The uses of proceeds and funds to finance costs of the Project and to accomplish the refunding of the Series 2014 Bonds are estimated to be as follows:

PROCEEDS:

Principal Amount of Series 2019 Bonds	\$59,295,000
Original Issue Discount	(297,860)
Available Moneys ⁽¹⁾	<u>264,526</u>
 TOTAL	 \$59,261,666

USES:

Project Costs	\$17,000,000
Series 2014 Bonds Refunding Costs	41,089,010
Costs of Issuance and Reserve Policy and Bond Insurance Premiums	357,350
Underwriter's Discount	<u>815,306</u>
 TOTAL	 \$59,261,666

The payment of Underwriter's discount, Policy premium, Reserve Policy (as hereinafter defined) premium and the costs of issuing and insuring the Series 2019 Bonds relating to the payment of professional fees will be contingent on the Series 2019 Bonds being issued. See **UNDERWRITING** for a description of the Underwriter's discount. The Authority will deposit the principal amount of the Bonds plus original issue premium and less Underwriter's discount, original issue discount, the premiums for the policy and the Reserve Policy, and Refunding deposit into a special fund in the Trustee designated "2019B Construction Fund" (the "Construction Fund"). Moneys contained in the Construction Fund will be expended for expenses of the Refunding, the expenses of issuing the Bonds and for the Project. Disbursements shall be on the basis of requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and a statement to the effect that the disbursement is for a proper expense of or pertaining to the Project, the Refunding or expenses of issuing the Bond. For a description of how the Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE INDENTURE, Investment of Funds**.

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⁽¹⁾ Held in funds and accounts securing the Series 2014 Bonds.

THE SERIES 2019 BONDS

Generally. The Series 2019 Bonds are dated, mature, bear interest and interest is payable on the Series 2019 Bonds as set forth on the inside front cover hereof. Payment of each installment of interest shall be made to the person in whose name a Series 2019 Bond is registered on the registration books of the Authority maintained by the Trustee at the end of the 15th day (whether or not a business day) of the month next preceding each interest payment date (the "Record Date") irrespective of any transfer or exchange of a Series 2019 Bond subsequent to such Record Date and prior to such interest payment date. Such interest payments shall be by check of the Trustee mailed to such registered owner at the address appearing on such registration books.

The Series 2019 Bonds are issuable in the form of registered Series 2019 Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Indenture. In the event any Series 2019 Bond is mutilated, lost or destroyed, the Authority shall, if not then prohibited by law, execute and the Trustee may authenticate a new Series 2019 Bond in accordance with the provisions therefor in the Indenture.

Each Series 2019 Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Series 2019 Bond or Series 2019 Bonds of the same maturity and interest rate, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

There shall be no charge to the transferor or transferee for any transfer, except an amount or amounts sufficient to reimburse the Authority and the Trustee for any tax, fee or other governmental charge required to be paid with respect to such transfer. Neither the Authority nor the Trustee shall be required to make transfers of registration with respect to any Series 2019 Bond or portion thereof called for redemption prior to maturity within thirty (30) days prior to its redemption date.

The person in whose name any Series 2019 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any Series 2019 Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2019 Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Series 2019 Bonds or the date fixed for redemption of any Series 2019 Bonds shall be a Saturday or Sunday or shall be in the State of Arkansas (the "State") a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Redemption. The Series 2019 Bonds are subject to extraordinary, optional, and mandatory sinking fund redemption as follows:

(1) Extraordinary Redemption. The Series 2019 Bonds must be redeemed from proceeds of the Series 2019 Bonds not needed for the purposes intended, on any interest payment date, in whole or in part, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee may determine), at a price equal to the principal amount being redeemed plus accrued interest to the redemption date.

(2) Optional Redemption. The Series 2019 Bonds are callable at the option of the Authority on and after October 1, 2029, in whole or in part at any time, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption. If fewer than all of the Series 2019 Bonds shall be called for redemption, the particular maturities of the Series 2019 Bonds to be redeemed shall be selected by the Authority in its discretion. If fewer than all of the Series 2019 Bonds of any one maturity shall be called for redemption, the particular Series 2019 Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Series 2019 Bonds maturing on October 1, in the years 2033, 2036, 2039, and 2044 are subject to mandatory sinking fund redemption (selected by lot by the Trustee by any method utilized by the Trustee), at a price equal to the principal amount being redeemed plus accrued interest to the redemption date, on October 1 of each year as follows:

Series 2019 Bonds Maturing October 1, 2033

<u>Year</u>	<u>Principal Amounts</u>
2030	\$2,305,000
2031	2,365,000
2032	2,425,000
2033 (maturity)	2,490,000

Series 2019 Bonds Maturing October 1, 2036

<u>Year</u>	<u>Principal Amounts</u>
2034	\$2,565,000
2035	2,645,000
2036 (maturity)	2,715,000

Series 2019 Bonds Maturing October 1, 2039

<u>Year</u>	<u>Principal Amounts</u>
2037	\$2,800,000
2038	2,400,000
2039 (maturity)	2,475,000

Series 2019 Bonds Maturing October 1, 2044

<u>Year</u>	<u>Principal Amounts</u>
2040	\$2,550,000
2041	2,630,000
2042	2,715,000
2043	2,805,000
2044 (maturity)	2,890,000

Notice of Redemption. The Trustee shall give notice of the call for redemption by first class mail placed in the mails, postage prepaid, or other standard means of delivery, including facsimile or electronic communications, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, to the registered owner or any Series 2019 Bond called for redemption, addressed to such registered owner's registered address. After the date specified in such call, the Series 2019 Bonds or portions thereof (which must be integral multiples of \$5,000) so called will cease to bear interest provided funds for their payment have been deposited with the Trustee.

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SECURITY FOR THE BONDS

The Series 2019 Bonds and any Additional Bonds (as hereinafter defined) issued under the Indenture (collectively, "Bonds") are secured by a pledge of the revenues and other resources of the Authority, including particularly, revenues derived from water contracts with wholesale customers on a parity of security with the currently outstanding Parity Obligations. See **THE ENTITIES AND THE COUNTIES** for a list of current wholesale customers and information about such wholesale customers.

The Bonds are further secured by a lien on and security interest in certain of its property and replacements thereof. See **THE INDENTURE, Security for the Bonds**.

The Authority has no taxing power. The resources of the Authority are limited to the water facilities and the revenues derived from the sale of water produced by said facilities including payment made by the Entities pursuant to the Water Purchase Contract (hereinafter described).

The Authority is a public water authority organized for the purpose of providing treated drinking water on a regional basis (see **THE AUTHORITY**). Specifically, the Authority takes water from Beaver Lake and treats it for sale to the Entities. In order to accomplish this purpose, the Authority issued certain obligations to finance the construction of intake facilities and treatment facilities. The Authority has entered into a water supply contract with the United States Corps of Engineers which entitles the Authority to withdraw municipal and industrial water from Beaver Lake in specified amounts and obligates the Authority to make certain payments (see **THE AUTHORITY**).

A debt service reserve will be provided with a municipal bond debt service reserve insurance policy (the "Reserve Policy") issued by the Insurer. The face amount of the Reserve Policy will be an amount equal to one-half of the maximum annual principal and interest requirements for the Series 2019 Bonds. See **THE INDENTURE, Debt Service Reserve Fund**.

The payment of the principal of and interest on the Series 2019 Bonds when due is guaranteed under the Insurance Policy. See **BOND INSURANCE** herein.

Additional Bonds. The Authority has reserved the right to issue additional bonds ("Additional Bonds") under the Indenture. Before any Additional Bonds can be issued on a parity with the Bonds, there must be filed with the Trustee the following:

(1) A copy, certified by the Secretary of the Authority, of the resolution authorizing the Additional Bonds and directing their delivery to or upon the order of purchasers therein named upon payment of the purchase price therein set forth or therein referred to;

(2) A certificate of the President of the Authority stating that no event of default specified in the Indenture has happened and is then continuing;

(3) An opinion of counsel selected by the Authority but satisfactory to the Trustee that all required legal action precedent to the issuance of the Additional Bonds have been taken and that, when executed, authenticated and delivered, such bonds will be valid, binding and enforceable obligations of the Authority secured by the Indenture on a parity with Parity Obligations and with previously issued bonds secured thereby;

(4) A certificate of an independent certified public accountant to the effect that "adjusted gross revenues" of the Authority (hereinafter defined) for the fiscal year immediately preceding the delivery of the Additional Bonds (the "immediately preceding fiscal year") were sufficient in amount:

(a) to pay all operation and maintenance expenses of the Authority (exclusive of depreciation and debt service expenses) for the immediately preceding fiscal year; and

(b) to leave a balance equal to not less than 110% of the maximum annual principal and interest requirements during the current or any subsequent fiscal year of the Authority, for (A) the then outstanding Bonds (exclusive of any Bonds to be deemed paid upon delivery of the Additional Bonds), (B) the Additional Bonds then held by the Trustee for Delivery and (C) any then outstanding Parity Obligations (hereinafter defined) (exclusive of any Parity Obligations that are to be refunded upon delivery of the Additional Bonds and for which the holders of the Parity Obligations or their agent must have agreed to releasing the lien on revenues and the mortgaged properties securing the Parity Obligations as a result of the refunding). There shall be added to the amount of the debt service requirements set forth in this paragraph any Reserve Policy Costs (as defined in **THE INDENTURE, Debt Service Reserve Fund** herein) due and owing to the Insurer.

The Additional Bonds shall be dated, interest shall be payable semiannually on the dates, the principal shall mature as serial bonds or as term bonds, or as a combination thereof, and they may contain provisions for redemption prior to maturity as well as other provisions, all as shall be set forth in the resolution authorizing their issuance. The authorizing resolution shall set forth the details concerning the Additional Bonds, which shall be embodied in a supplemental indenture by and between the Authority and the Trustee. All such Additional Bonds shall be issued on a parity with all other bonds issued under the Indenture, including the Bonds.

The term "adjusted gross revenues" means:

- (1) The gross revenues actually received by the Authority during the fiscal year immediately preceding the delivery of the Additional Bonds; plus
- (2) Any additional revenues (as projected by the accountant executing the certificate as to adjusted gross revenues, on the basis of actual water sales) that would have been derived from a rate increase actually placed into effect after the beginning of such fiscal year if such rate increase had been in effect throughout the fiscal year; plus
- (3) Any additional annual revenues as projected in a certificate of an independent consulting engineer (on the basis of the then current water rates) to be derived from new customers to be served upon completion of improvements then under construction or to be financed, in whole or in part, from the proceeds of the Additional Bonds delivered to the Trustee.

The Authority may issue bonds or other obligations of indebtedness other than under the Indenture. Such obligations may be issued on a parity with bonds issued under the Indenture, including the Bonds, subject to meeting the requirements for the issuance of Additional Bonds, as described above ("Parity Obligations"). Otherwise, other obligations shall be subject and subordinate to all bonds then outstanding or thereafter issued under the Indenture.

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The currently outstanding Parity Obligations consist of the following described obligations and any renewals or refinancings thereof that are issued on a parity with the Bonds: the Authority's Water Revenue Bonds, Series 2016 (the "Series 2016 Bonds"), and the Authority's Water Revenue Refunding Bonds, Series 2019 (the "Series 2019A Bonds"). The following is the debt service schedule for the currently outstanding Parity Obligations:

<u>Year</u>	<u>Series 2016 Bonds</u>	<u>Series 2019A Bonds</u>	<u>Total</u>
2019	\$448,725.00	\$ 57,356.51	\$506,081.51
2020	449,725.00	337,727.50	787,452.50
2021	450,625.00	339,412.50	790,037.50
2022	451,425.00	340,412.50	791,837.50
2023	452,125.00	341,312.50	793,437.50
2024	452,725.00	337,112.50	789,837.50
2025	450,975.00	336,862.50	787,837.50
2026	449,075.00	335,412.50	784,487.50
2027	452,025.00	338,812.50	790,837.50
2028	449,675.00	336,912.50	786,587.50
2029	452,175.00	339,862.50	792,037.50
2030	449,375.00	338,737.50	788,112.50
2031	451,425.00	337,487.50	788,912.50
2032	448,175.00	334,837.50	783,012.50
2033	449,775.00	337,037.50	786,812.50
2034	451,075.00	338,937.50	790,012.50
2035	452,075.00	335,537.50	787,612.50
2036	447,775.00	336,987.50	784,762.50
2037	448,325.00	338,137.50	786,462.50
2038	452,925.00	333,987.50	786,912.50
2039	452,045.00	334,687.50	786,732.50
2040	450,845.00	154,687.50	605,532.50
2041	449,325.00		449,325.00
2042	452,485.00		452,485.00
2043	449,780.00		449,780.00
2044	451,745.00		451,745.00
2045	448,215.00		448,215.00
2046	449,355.00		449,355.00
TOTALS	\$12,613,995.00	\$6,962,259.01	\$19,576,254.01

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THE AUTHORITY

Generally. The Authority is a public water authority organized for the purpose, generally stated, of acquiring title to, treating, selling and distributing water stored in Beaver Lake, which was constructed by the United States of America on the White River in the State of Arkansas, and acquiring, constructing, equipping and operating improvements for the removal, storage, treatment and distribution of the water. The Authority is governed by a Board of Directors. The Authority was originally formed in 1992 as the Benton Washington County Water Association (the "Association"). In 1993, the City of Prairie Grove, Arkansas, the City of Lincoln, Arkansas, Washington County Rural Development Authority, Benton County Rural Development Authority, the City of Centerton, Arkansas, the City of Gravette, Arkansas, the City of Decatur, Arkansas, the City of Pea Ridge, Arkansas and Benton County Water District #1 executed contracts for the sale of water by the Authority to each Entity. The remainder of the current Entities joined during or after construction of the water system. See **THE ENTITIES AND THE COUNTIES** for a description of the current Entities.

In September 1996, construction of the water system began. The water system was financed through the issuance of the Rural Development Notes in the approximate principal amount of \$28,000,000, financing from the Arkansas National Resources Commission in the approximate principal amount of \$4,000,000 and various grants in the approximate principal amount of \$5,700,000.

In 2001, pursuant to Act No. 115 of 2001 of the Acts of Arkansas, the Association was reorganized as the Authority. In 2002, the Authority issued the Series 2002A Bonds, the Series 2002B Bond and the Series 2002C Bond to finance extensions, betterments and improvements to its water facilities.

Water Supply. The supply of water for the Authority's water facilities is provided by Beaver Lake, which is a U.S. Army Corp of Engineers impoundment on the White River located in 4 counties in Northwest Arkansas. Beaver Dam was authorized by the Flood Control Act of 1944. Construction on Beaver Dam began in 1960 and was completed in 1964. The authorized purposes of Beaver Lake are: flood control, hydroelectric power, recreation and water. Beaver Lake is utilized by 4 separate regional wholesale water providers (Beaver Water District of Benton and Washington Counties, Arkansas, Carroll-Boone (Arkansas) Water District, Madison County Regional Water and the Authority), and it is utilized by the Southwest Power Administration for power generation. The Authority currently has an allocation of the U.S. Army Corp of Engineers Municipal and Industrial Pool Allotment for Beaver Lake for the equivalent of 8 million gallons per day on average, and in 2006 received a verbal approval to increase that allotment to approximately 13 million gallons per day on average based on the Authority's 2001 request to the Corp of Engineers. In February 2007, the Authority submitted a third written request to increase the allotment to a withdrawal equivalent to approximately 19 million gallons per day which will meet the projected water system requirements through 2030. The U.S. Army Corp of Engineers has acknowledged receipt of the Authority's request and is currently examining the reallocation request and is also currently studying allotting additional water into the overall Municipal and Industrial Pool for Beaver Lake.

Water System Facilities. The Authority currently owns and operates an intake structure on Beaver Lake that has a pumping capacity of 34 million gallons per day (MGD) through 5 individual pumps located at the facility, and it includes expansion ports for future pumping needs. The most recent expansion was an additional 10 MGD pump that was added in 2016. The pumps and motors on the other 4 pumps were rehabilitated from 2017 to 2018. The intake facility is currently rated at a maximum capacity of 40 MGD which is also the rated capacity of the approximately 7.5 miles of 36 inch raw water transmission line needed to bring the water from Beaver Lake to the treatment plant.

The Authority's existing treatment plant is located outside of Avoca, Arkansas. The treatment plant has a maximum treatment capacity rating of 37.7 MGD which is limited by an intake structure currently capable of pumping at 34 MGD. In 2018, the facility treated a maximum of 22.1 million gallons in a day and had a peak hourly demand of 25 MGD which occurred over several days in consecutive months.

The Authority currently has 6 storage facilities located in Benton County and Washington County with a combined transmission storage capacity of 21.8 million gallons. Currently there are two steel ground storage tanks near Decatur, Arkansas (5,000,000 gallons and 7,500,000 gallons), two steel ground storage tanks near Lincoln, Arkansas (2,000,000 gallons and 3,000,000 gallons), a composite elevated tank near Centerton Arkansas (3,500,000 gallons), and a steel stand-pipe near Garfield, Arkansas (800,000 gallons). The steel stand-pipe is currently in the process of being replaced with a 2,000,000 gallon elevated composite tank with construction to be completed in the summer of 2020. There is also a clearwell storage facility located at the treatment facility (2,000,000 gallons).

The Authority has a booster pump station located between the Decatur and Lincoln storage facilities. The current station, which came on line in July of 2007, and was updated in 2017, consists of five vertical turbine pumps operating on 24 inch and 18 inch parallel lines capable of providing approximately 2,800 gallons per minute on one pump and 5,000 gallons per minute on two pumps to meet the demand for the southern portion of the system. The 2015 peak daily demand through this booster pump station was 5.85 MGD and there were several days over consecutive months where demand exceeded 5 million gallons per day. This booster pump replaced the original booster pump station constructed in 1997 that had a pumping capacity of 2,300 gallons per minute or 3.312 MGD. It was decommissioned in July of 2008.

The transmission line for the Authority stretches across Benton and Washington Counties and there are currently 33 master meters and one raw water master meter which the Authority reads on a monthly cycle for billing purposes. The transmission lines are entirely constructed on mortar lined ductile iron pipe (DIP) and range in size from 8 inch to 36 inch. The amount of line in the ground for each size is as follows:

8 inch DIP – 5.98 miles

12 inch DIP - 15.57 miles

14 inch DIP – 7.00 miles

16 inch DIP – 0.75 miles

18 inch DIP – 8.90 miles

24 inch DIP – 29.90 miles

36 inch DIP – 30.30 miles

The parallel 18-24 inch water line that was completed in 2016 increased the capacity to supply the southern end of the System's transmission facilities, which includes the City of Prairie Grove, Arkansas, the City of Lincoln, Arkansas, the Rural Development Authority of Washington County, Arkansas and the Westville (Oklahoma) Utility Authority.

Water Purchase Contracts. In 2007, the Authority entered into a Water Purchase Contract with each Entity (except for Siloam Springs) by which the Authority agrees to acquire water from Beaver Lake, treat it and sell it to such Entity, and such Entity agrees to pay for water received from the Authority. The term of the Water Purchase Contracts is thirty (30) years. None of the Water Purchase Contracts are take or pay contracts.

Effective October 2005, Water Purchase Contracts established a flat rate of \$1.50 per 1,000 gallons of water metered as delivered to each Entity. There are no mandatory minimum purchase amounts and no penalties on over maximum purchases. On May 24, 2007, the Board of Directors of the Benton Washington Regional Public Water Authority of the State of Arkansas (the "Authority") approved a rate increase effective January 1, 2008 which is based on the interest rates of the Authority's bonds and project costs. The rate was increased to \$2.05 per 1,000 gallons of water metered as delivered to each Entity. In August 2010, the Authority Board of Directors approved a \$1.50 assessment per each active water meter for each Entity (the "Assessment"). The Assessment, which became effective October 1, 2010, is in addition to the per 1,000 gallons metered rate that is currently in effect. On January 1, 2013 rates were increased to \$2.15 per 1,000 gallons and the Assessment was retained, but the Board expressed its intent that funds derived from the Assessment are to be set-aside for use in current and future capital improvement projects with prior Board knowledge and permission. On July 1, 2016, rates were increased to \$2.34 per 1,000 gallons and the Assessment was retained.

In the Indenture, the Authority covenants to comply with the terms of each Water Purchase Contract and to take the necessary steps, including legal action, if necessary, to enforce the provisions thereof. The Authority may agree to terminate a Water Purchase Contract prior to its expiration date but only if either (1) the same Entity or a new Entity executes or proposes to execute a Water Purchase Contract under substantially the same, or more favorable, terms as the Water Purchase Contract being terminated, (2) revenues received for water under the Water Purchase Contract for the previous fiscal year of the Authority did not exceed 5% of gross revenues of the Authority for such fiscal year, (3) a certified public accountant

not in the regular employ of the Authority states, subject to certain procedures and assumptions, that the Authority would have been in compliance with its rate covenant under Section 501 of the Indenture for the prior fiscal year without the revenues that were received under the Water Purchase Contract for such fiscal year, or (4) the termination is necessary to resolve a legal dispute between the Entity and the Authority.

If a Water Purchase Contract is terminated pursuant to court order or settlement of litigation involving the Authority and an Entity, the Authority agrees to make its best effects to secure a Water Purchase Contract from a new Entity, if the Entity whose Water Purchase Contract is being terminated accounted for more than 5% of the revenue of the Authority for the prior fiscal year.

The Entities’ obligations to make payments under the Water Purchase Contract are evidenced, as to each Entity, by water rate ordinances or resolutions duly enacted in accordance with state law. Each Entity’s source of payment is limited to revenues from its respective water systems pursuant to these water rate ordinances. FURTHER, THE REVENUES DERIVED FROM THESE WATER RATE ORDINANCES ARE NOT PLEDGED BY THE ENTITIES TO THE REPAYMENT OF THE BONDS AND ARE SUBJECT TO THE DEBT REQUIREMENTS ON ANY OUTSTANDING BONDS OF THE ENTITIES SECURED BY WATER REVENUES. PAYMENTS MADE TO THE AUTHORITY BY THE ENTITIES ARE CONSIDERED BY THE ENTITIES TO BE OPERATING EXPENSES. See **SECURITY FOR THE BONDS** and **THE ENTITIES AND THE COUNTIES**.

Water Sales. The volume of water sold by the Authority for the past five years was as follows:

<u>Year</u>	<u>Total Gallons Sold</u>
2014	2,681,199,000
2015	2,772,915,000
2016	3,085,393,000
2017	3,078,584,000
2018	3,457,452,000

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The volume of water purchased by each Entity for the past five (5) years in millions of gallons (MG) is as follows:

<u>NAME</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Benton Co. Water					
District #1	204.919	146.496	182.111	177.385	173.960
Bella Vista POA	243.671	193.432	266.418	197.397	165.344
Centerton	733.528	546.637	505.763	421.346	393.592
Decatur	344.541	349.999	372.972	296.717	238.357
Garfield	18.716	21.316	18.813	15.024	15.166
Gateway Public					
Water Authority	52.384	50.252	52.083	50.460	50.336
Gentry	256.015	242.609	245.824	250.110	232.783
Gravette	137.014	135.212	159.197	154.244	145.317
Highfill	82.164	76.221	72.870	63.413	63.253
Lincoln	267.582	232.408	268.283	244.889	254.915
Lost Bridge Village	25.990	37.585	32.143	31.175	26.169
Pea Ridge	196.617	182.068	170.482	170.223	161.907
Prairie Grove	131.773	155.623	104.454	95.510	99.832
Siloam Springs ⁽¹⁾	9.908	6.319	2.648	3.589	3.460
RDA of Washington					
County	696.098	641.588	568.260	537.040	592.894
Westville Utility					
Authority	56.012	56.580	62.709	65.849	63.914

⁽¹⁾Siloam Springs purchases water as a secondary supply for a manufacturer and a subdivision that was brought on-line in January 2007. Usage is not figured into budget.

Simmons Foods, Inc. accounts for approximately 75% of monthly average total gross water revenues for the City of Decatur, Arkansas. McKee Foods Corporation accounts for approximately 35% of monthly average total gross water revenues for the City of Gentry, Arkansas. Siloam Springs purchases water as a secondary supply for Allen Canning Co. and a subdivision. Pepper Source Ltd. accounts for approximately 10% of monthly average total gross water revenues for Benton County Water District #1. No other user of any current Entity's water system accounted for more than 10% of gross water revenues of such Entity for 2018.

It is anticipated that in late 2019 certain Simmons Foods facilities located in Decatur's service area will be taken off-line, to be replaced with a new Simmons Foods plant located in the Gentry service area. At this time, the Authority is unsure as to how this plant relocation will affect water sales for Decatur and Gentry.

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Board of Directors and Administration. The Board of Directors of the Authority consists of 13 members who serve one-year terms, from September 1 through August 31 of each year. There is one member for each Entity with the exception of the City of Garfield, Arkansas, Lost Bridge Village and Gateway Public Water Authority, all of which share one membership position on the Board of Directors, and the City of Siloam Springs, Arkansas, which is not represented on the Board of Directors. Members are appointed by the respective governing body of each Entity. The current members of the Board of Directors, their offices and their occupations are as follows:

<u>Name</u>	<u>Office</u>	<u>Occupation</u>
Mike Taggart	President	Director Maintenance and Construction – Water Utility, Bella Vista POA
Edwin Cooper	Vice-President	General Manager, Benton County Water District 1
Josh Moore	Secretary/Treasurer	General Manger, Washington Water Authority
Rick Craft	Director	Water Superintendent, City of Gentry
Gary Blackburn	Director	Mayor, City of Garfield
Frank Holzkamper	Director	Manager, Centerton Water and Sewer
James Boston	Director	Director of Public Works, City of Decatur
Corey Reardon	Director	Water Superintendent, City of Gravette
Rob Holland	Director	Director of Operations, City of Highfill
Herb England	Director	Utility Superintendent, City of Lincoln
Ken Hayes	Director	Water and Wastewater Superintendent, City of Pea Ridge
Larry Oelrich	Director	Director of Public Works, City of Prairie Grove
Zeb Black	Director	Westville Utility Authority

The manager of the Authority’s water system is Scott Borman. He has 27 years of water utility experience as a Supervisor, Manager, and Regulatory Agent for Nebraska Health and Human Services, Environmental Health Services Section. He is a Grade 4 (highest level) licensed Operator with the State of Arkansas and has previously held water operator licenses in Texas (Grade B Surface Water) and Nebraska (Grade 1 Water Operator (highest)). He currently serves on the United States Environmental Protection Agency National Drinking Water Advisory Board (his term is set to expire in 2021), and he previously served as Chairman of the AWWA Emergency Preparedness Standards Committee and was the Chairman when the AWWA G440-11 Emergency Preparedness Practices Standard was produced and adopted. He has also previously served on the Board of the Southwest Section of the American Water Association (AWWA), the Board of the Arkansas Water Works and Water Environment Association, as a member and officer, including Chairman, of the AWWA Small Systems Division at the national level, and served on the Arkansas Department of Health Drinking Water Advisory Group / Operator Licensing Committee from 2006 to 2012 including as Chairman in 2012. Mr. Borman is 57 years old and has managed the water system since December 2002.

The water system currently has 22 employees.

Litigation. There is no material litigation or regulatory proceeding pending or threatened against the Authority or its water system.

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FINANCIAL INFORMATION

Below is a summary of financial information of the Authority for the fiscal years ended December 31, 2018 through 2014, based on the Authority's audited financial statements.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPERATING REVENUE: Water sales	\$8,691,496	\$7,769,138	\$7,410,036	\$6,464,843	\$6,278,252
OPERATING EXPENSES	<u>(3,170,836)</u>	<u>(2,850,206)</u>	<u>(2,581,928)</u>	<u>(2,526,334)</u>	<u>(2,232,256)</u>
OPERATING INCOME (Before Depreciation)	5,520,660	4,918,932	4,828,108	3,938,509	4,045,996
DEPRECIATION	(2,311,881)	<u>(2,183,698)</u>	<u>(2,042,900)</u>	(2,041,089)	(2,017,922)
NON-OPERATING REVENUES (EXPENSES)	<u>(1,879,332)</u>	<u>(2,998,303)</u>	<u>(4,039,719)</u>	<u>(3,110,285)⁽¹⁾</u>	<u>(2,783,995)</u>
NET INCOME (LOSS)	<u>\$1,329,447</u>	<u>(\$263,069)</u>	<u>(\$1,254,511)</u>	<u>(\$1,212,865)⁽¹⁾</u>	<u>\$(755,921)</u>

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⁽¹⁾ The audited financial statements of the Authority for the fiscal year ended December 31, 2015 stated that interest income was \$410,080 and that interest expense was \$3,524,566. Both the amount of interest income and interest expense reflected in such audited financial statements included interest income and interest expense derived from irrevocable deposits into an escrow fund (the "Escrow Fund") established on October 29, 2014 for the purpose of defeasing the Authority's Water Revenue Refunding and Improvement Bonds, Series 2007 (the "2007 Bonds"). Of the \$410,080 reported as interest income, only \$2,017 was attributable to actual income earned by the Authority that was available for debt service and for operations of the Authority. The remaining \$408,063 of reported interest income was interest derived from investments in the escrow fund, and such income was pledged and required to be used to pay debt service on the 2007 Bonds as due (such amount was not available to pay debt service or for operations of the Authority). Further, of the \$3,524,566 reported in the audited financial statements for the fiscal year ended December 31, 2015 as interest expense, \$2,018,799 was attributable to interest expenses in connection with the payments from the Escrow Fund for the 2007 Bonds and the remaining \$1,505,767 was attributable to other interest expenses. A related discrepancy was contained in the audited financial statements of the Authority for the fiscal years ended December 31, 2016 and 2017. The 2007 Bonds were redeemed on October 1, 2017.

DEBT SERVICE SCHEDULES

Set forth below are the debt service requirements for the Series 2019 Bonds during each year ending December 31:

<u>Year</u> <u>(Ending December 31)</u>	<u>Series 2019 Bond</u> <u>Principal</u>	<u>Series 2019 Bond</u> <u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2019	--	--	--
2020	\$1,985,000	\$1,489,100.73	\$3,474,100.73
2021	1,895,000	1,581,652.26	3,476,652.26
2022	1,930,000	1,545,268.26	3,475,268.26
2023	1,965,000	1,507,440.26	3,472,440.26
2024	2,010,000	1,467,550.76	3,477,550.76
2025	2,050,000	1,426,144.76	3,476,144.76
2026	2,100,000	1,381,864.76	3,481,864.76
2027	2,145,000	1,334,824.76	3,479,824.76
2028	2,195,000	1,284,631.76	3,479,631.76
2029	2,245,000	1,231,512.76	3,476,512.76
2030	2,305,000	1,176,061.26	3,481,061.26
2031	2,365,000	1,112,673.76	3,477,673.76
2032	2,425,000	1,047,636.26	3,472,636.26
2033	2,490,000	980,948.76	3,470,948.76
2034	2,565,000	912,473.76	3,477,473.76
2035	2,645,000	835,523.76	3,480,523.76
2036	2,715,000	756,173.76	3,471,173.76
2037	2,800,000	674,723.76	3,474,723.76
2038	2,400,000	587,223.76	2,987,223.76
2039	2,475,000	512,223.76	2,987,223.76
2040	2,550,000	434,880.00	2,984,880.00
2041	2,630,000	353,280.00	2,983,280.00
2042	2,715,000	269,120.00	2,984,120.00
2043	2,805,000	182,240.00	2,987,240.00
2044	2,890,000	92,480.00	2,982,480.00
TOTALS	\$59,295,000	\$24,177,653.67	\$83,472,653.67

Set forth below are the debt service requirements for the Series 2019 Bonds and the currently outstanding Parity Obligations (See **SECURITY FOR THE BONDS**) during each year ending December 31:

<u>Year (Ending December 31)</u>	<u>Series 2019 Bonds Debt Service</u>	<u>Series 2019A Bonds Debt Service</u>	<u>Series 2016 Bonds Debt Service</u>	<u>Total Debt Service</u>
2019	--	\$ 57,356.51	\$448,725.00	\$ 506,081.51
2020	\$3,474,100.73	337,727.50	449,725.00	4,261,553.23
2021	3,476,652.26	339,412.50	450,625.00	4,266,689.76
2022	3,475,268.26	340,412.50	451,425.00	4,267,105.76
2023	3,472,440.26	341,312.50	452,125.00	4,265,877.76
2024	3,477,550.76	337,112.50	452,725.00	4,267,388.26
2025	3,476,144.76	336,862.50	450,975.00	4,263,982.26
2026	3,481,864.76	335,412.50	449,075.00	4,266,352.26
2027	3,479,824.76	338,812.50	452,025.00	4,270,662.26
2028	3,479,631.76	336,912.50	449,675.00	4,266,219.26
2029	3,476,512.76	339,862.50	452,175.00	4,268,550.26
2030	3,481,061.26	338,737.50	449,375.00	4,269,173.76
2031	3,477,673.76	337,487.50	451,425.00	4,266,586.26
2032	3,472,636.26	334,837.50	448,175.00	4,255,648.76
2033	3,470,948.76	337,037.50	449,775.00	4,257,761.26
2034	3,477,473.76	338,937.50	451,075.00	4,267,486.26
2035	3,480,523.76	335,537.50	452,075.00	4,268,136.26
2036	3,471,173.76	336,987.50	447,775.00	4,255,936.26
2037	3,474,723.76	338,137.50	448,325.00	4,261,186.26
2038	2,987,223.76	333,987.50	452,925.00	3,774,136.26
2039	2,987,223.76	334,687.50	452,045.00	3,773,956.26
2040	2,984,880.00	154,687.50	450,845.00	3,590,412.50
2041	2,983,280.00		449,325.00	3,432,605.00
2042	2,984,120.00		452,485.00	3,436,605.00
2043	2,987,240.00		449,780.00	3,437,020.00
2044	2,982,480.00		451,745.00	3,434,225.00
2045			448,215.00	448,215.00
2046			449,355.00	449,355.00
TOTALS	\$83,472,653.67	\$6,962,259.01	\$12,613,995.00	\$103,048,907.68

ESTIMATED DEBT SERVICE COVERAGE

The following table shows the estimated net revenues available for debt service, the maximum annual amount of debt service expected to be due on the Series 2019 Bonds and the outstanding Parity Obligations and the extent to which debt service is estimated to be covered by such funds.

Gross Revenues ⁽¹⁾	\$8,691,496
Less: Operation and Maintenance Expenses ⁽¹⁾	<u>(5,482,717)</u>
Plus: Depreciation and Amortization Expenses ⁽¹⁾	2,366,894
Funds Available for Debt Service ^(A)	5,575,673
Maximum Annual Debt on the Series 2019 Bonds and the currently outstanding Parity Obligations ^(B)	4,270,662
Coverage ^(A/B)	1.31X

⁽¹⁾ Based on audited financial statements of the Authority for the fiscal year ended December 31, 2018. See **FINANCIAL INFORMATION** herein and Appendix A attached hereto. Excluding interest income and other non-operating income.

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THE ENTITIES AND THE COUNTIES

Entities Generally. The "Entities" are the water customers of the Authority that purchase, from time to time, water on a wholesale basis under contract. Currently, the Entities are the City of Centerton, Arkansas, the Benton County Water District #1, the Bella Vista Property Owners Association, the City of Decatur, Arkansas, the Town of Garfield, Arkansas, the Gateway Public Water Authority, Lost Bridge Village, the City of Gentry, Arkansas, the City of Gravette, Arkansas, the City of Highfill, Arkansas, the City of Lincoln, Arkansas, the City of Pea Ridge, Arkansas, the City of Prairie Grove, Arkansas, the Rural Development Authority of Washington County, Arkansas, the City of Siloam Springs, Arkansas and the Westville Utility Authority of Westville, Oklahoma. Each Entity has entered into a Water Purchase Contract with the Authority. See **THE AUTHORITY**. With the exception of the Westville Utility Authority of Westville, Oklahoma, all Entities are located in Benton County, Arkansas ("Benton County") and Washington County, Arkansas ("Washington County" and, together with Benton County, the "Counties").

Each current Entity had the following number of water customers, determined by number of meters and the approximate population served, determined by number of meters, in 2018:

<u>Customer System Name</u>	<u>2018 Water Meter Count</u>	<u>Population Served</u>
Bella Vista POA ⁽¹⁾	3,000	8,700
Benton Co. Water District #1	2,310	6,930
Centerton	7,306	21,918
Decatur	932	3,003
Garfield	258	795
Gateway Public Water Authority	811	2,433
Gentry	2,359	7,077
Gravette	1,563	4,689
Highfill	863	2,589
Lincoln	2,459	7,377
Lost Bridge Village	404	1,212
Pea Ridge	2,831	8,493
Prairie Grove	2,756	8,268
Siloam Springs ⁽²⁾	26	1,305
RDA of Washington County	6,848	20,544
Westville Utility Authority	751	2,253

⁽¹⁾Bella Vista POA is a dual source system that also purchases water from the City of Bentonville, Arkansas. The Authority serves the western portion of the POA and could in an emergency serve the entire POA, which has a current population of 27,128.

⁽²⁾The Authority currently serves a subdivision of 26 homes (100 lots available) and one food processing plant for the City of Siloam Springs. Daily usage can exceed 1,000,000 gallons per day. In 2018 the City of Siloam Springs purchased 9.908 million gallons from the Authority.

With the exception of the following Entities, each Entity purchases all of its water from the Authority: (1) the City of Pea Ridge maintains a connection with the City of Rogers, Arkansas for emergency back-up water; (2) Bella Vista Property Owners Association is under a minimum purchase contract with the City of Bentonville, Arkansas for a minimum of 700 million gallons per year (in 2018, Bella Vista purchased approximately 798 million gallons from Bentonville (on average, Bella Vista purchases approximately 80% of its water from Bentonville); (3) the City of Decatur, Arkansas maintains a ground water system that supplies approximately one-half of the City's annual usage; (4) the City of Prairie Grove maintains a surface water treatment plant that supplies approximately 37% of the City's annual usage; (5) the Rural Development Authority of Washington County, Arkansas purchases a small amount of water through the City of West Fork, Arkansas in order to serve a small distribution system (there are currently 15 customers on the West Fork supply); and (6) the City of Siloam Springs buys water as a secondary water supply for a local manufacturer and a subdivision brought on-line in January 2007.

The Authority is currently in negotiations with the City of Tontitown, Arkansas ("Tontitown") for Tontitown to become an Entity and enter into a water purchase contract. If negotiations are successful and a water purchase contract is entered into between the Authority and Tontitown, the Authority anticipates that Tontitown will begin receiving water from the Authority in October 2019. Tontitown's water facilities serve a population of 3,090 water customers, and Tontitown is expected to add 0.35 million gallons per day demand to the Authority's water system.

Counties Generally. The Counties are located in northwestern Arkansas. The county seat of Benton County is Bentonville, which is approximately 215 miles northwest of Little Rock, Arkansas and 115 miles east of Tulsa, Oklahoma. The county seat of Washington County is Fayetteville, which is approximately 190 miles northwest of Little Rock, Arkansas and 110 miles east of Tulsa, Oklahoma.

The municipalities in Benton County and their populations are:

<u>Municipality</u>	<u>2010 Census Population</u>	<u>2017 Estimated Population</u>
Avoca	488	516
Bella Vista	26,461	28,511
Bentonville	35,301	49,298
Bethel Heights	2,372	2,762
Cave Springs	1,729	4,432
Centerton	9,515	14,001
Decatur	1,699	1,799
Elm Springs	1,535	2,320
Garfield	502	572
Gateway	405	473
Gentry	3,158	3,795
Gravette	2,325	3,304
Highfill	583	652
Little Flock	2,585	2,754
Lowell	7,327	9,215
Pea Ridge	4,794	5,721
Rogers	55,964	66,430
Siloam Springs	15,039	16,842
Springdale	69,797	79,599
Springtown	87	96
Sulphur Springs	511	540

The municipalities in Washington County and their populations are:

<u>Municipality</u>	<u>2010 Census Population</u>	<u>2017 Estimated Population</u>
Elkins	2,648	3,055
Farmington	5,974	6,893
Fayetteville	73,580	85,257
Goshen	1,071	1,760
Greenland	1,259	1,406
Johnson	3,354	3,674
Lincoln	2,249	2,463
Prairie Grove	4,380	5,714
Tontitown	2,460	3,715
West Fork	2,317	2,587
Winslow	391	423

Population. Since 1970, the population trend for the Counties, according to the Bureau of Census, is as follows:

<u>Year</u>	<u>Benton County</u>	<u>Washington County</u>	<u>Total</u>
1970	50,476	77,370	127,846
1980	78,115	100,494	178,609
1990	97,499	113,409	210,908
2000	153,406	157,715	311,121
2010	221,339	203,065	424,404
2017 ⁽¹⁾	266,300	231,996	498,296

⁽¹⁾Estimate.

Transportation. The Counties are served by Interstate 49 and U.S. Highway Nos. 412, 62 and 71. Approximately 26 motor freight carriers and the Arkansas Missouri Railroad make daily shipments from the Fayetteville/Springdale/Rogers Metropolitan Area to major cities across the United States. Northwest Arkansas Regional Airport in Highfill serves the Counties.

Economy. The economy of the Counties is a mixture of industry, agricultural and commercial trade. Set forth below are the characteristics of the major employers (over 500 employees) in Benton County, according to the Arkansas Economic Development Commission (as of spring 2016):

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Wal-Mart Stores, Inc.	Retail	2,500+
J.B. Hunt Transport Services, Inc.	Transportation/Shipping	2,500+
Rogers Public School District	Education	1,000 – 2,499
Mercy Health System	Healthcare	1,000 – 2,499
Bentonville School District	Education	1,000 – 2,499
Simmons Foods, Inc.	Poultry	1,000 - 2,499
McKee Foods Corporation	Snack Cakes	1,000 – 2,499
Arvest Bank Group	Banking	1,000 – 2,499
Tyson Foods, Inc.	Poultry	500 - 999
Ozark Mountain Poultry, Inc.	Poultry	500 - 999
Northwest Arkansas Community College	Education	500 - 999
John Brown University	Education	500 – 999
McDonald's Corporation	Restaurants	500 – 999
Siloam Springs School District	Education	500 – 999
Glad Products Company	Plastics	500 – 999
Gates Corporation	Rubber and plastics	500 – 999

Set forth below are the characteristics of the major employers (over 500 employees) in Washington County, according to the Arkansas Economic Development Commission (as of spring 2016):

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Tyson Foods, Inc.	Poultry	2,500+
University of Arkansas	Education	2,500+
Springdale School District	Education	2,500+
Wal-Mart Stores, Inc.	Retail	2,500+
PAM Transport, Inc.	Trucking	1,000-2,499
George's Processing Inc.	Poultry	1,000-2,499
Washington Regional Medical Center	Healthcare	1,000-2,499
Fayetteville School District	Education	1,000-2,499
Northwest Health Systems	Healthcare	1,000-2,499
Cargill, Inc.	Poultry	1,000-2,499
U.S. Veterans Medical Center	Healthcare	1,000-2,499
Superior Industries International, Inc.*	Automobile Parts	500-999
Harp's Food Stores, Inc.	Grocery	500-999
Rockline Industries, Inc.	Sanitary Paper Products	500-999
Arvest Bank	Banking	500-999
Medical Associates of Northwest Arkansas	Healthcare	500-999
Arkansas Support Network	Support Services for the Disabled	500-999
McDonald's Stores Corporation	Restaurants	500-999

* Superior Industries International, Inc. has announced its intention to close its Northwest Arkansas plant in late 2019 or in 2020.

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

<u>Year</u>	<u>Total Personal Income</u>
2013	\$15,131,106,000
2014	17,863,785,000
2015	19,521,066,000
2016	20,659,432,000
2017	21,712,367,000

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

<u>Year</u>	<u>Total Personal Income</u>
2013	\$7,092,314,000
2014	7,674,433,000
2015	8,201,306,000
2016	8,524,246,000
2017	9,020,670,000

⁽¹⁾Source: U.S. Bureau of Economic Analysis.

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

<u>Year</u>	<u>Total Personal Income</u>
2013	\$63,336
2014	73,155
2015	77,768
2016	79,857
2017	81,533

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

<u>Year</u>	<u>Total Personal Income</u>
2013	\$32,907
2014	34,972
2015	36,637
2016	37,453
2017	38,883

⁽¹⁾Source: U.S. Bureau of Economic Analysis.

The annual average unemployment rates for the Counties and the State of Arkansas since 2013 are as follows, according to the Arkansas Department of Workforce Services:

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>		<u>State</u>
	<u>Benton County</u>	<u>Washington County</u>	
2013	5.6	5.3	7.2
2014	4.6	4.4	6.0
2015	3.8	3.5	5.0
2016	2.9	2.7	4.0
2017	3.0	2.6	3.7
2018	2.9	2.6	3.7
2019*	2.8	2.7	4.0

*As of July 2019.

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BOND INSURANCE

Bond Insurance Policy. Concurrently with the issuance of the Series 2019 Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Series 2019 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2019 Bonds when due as set forth in the form of the Policy included as Appendix B 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 2019 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 2019 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2019 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 2019 Bonds, nor does it guarantee that the rating on the Series 2019 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$525 million, \$114 million and \$411 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 2019 Bonds or the advisability of investing in the Series 2019 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**".

BAM GreenStar Bonds. The Series 2019 Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the Authority as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principals (GBPs) developed by the International Capital Markets Association (ICMA). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and is Climate Bond Initiative approved verifier. The Credit Profile prepared by BAM for the Series 2019 Bonds will identify which of the following GBP categories applies to the Series 2019 Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings.

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the Credit Profile for the Series 2019 Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

For projects under construction, the bond obligor has agreed to furnish annual information to BAM on the status of the project until completion, which will be reflected in the BAM Credit Profile for the Series 2019 Bonds.

The BAM GreenStar designation is based upon information obtained by BAM, which information BAM believes to be reliable, at the time of the issuance of the Series 2019 Bonds. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website <https://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the issuer or the underwriter for the Series 2019 Bonds, and the issuer and underwriter assume no responsibility for such designation.

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 buildamerica.com/creditsights/. (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 buildamerica.com/obligor/. 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 2019 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 2019 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2019 Bonds, whether at the initial offering or otherwise.

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THE INDENTURE

The following is a brief summary of the Indenture pursuant to which the Series 2019 Bonds will be issued. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture copies of which are on file with the Trustee. For purposes of this caption, the term "Bonds" includes the Series 2019 Bonds offered hereby and any outstanding Additional Bonds.

Rights of Insurer. Various rights of the Authority and owners of the Series 2019 Bonds are subject to rights and powers granted to the Insurer pursuant to the Indenture.

Security for the Bonds. Under the Indenture, the Authority grants to the Trustee in order to secure the payment of the principal of, premium, if any, and interest on the Bonds, a lien on and security interest in the following:

(a) All real estate and premises, rights of way and easements, with all buildings, additions and improvements of every nature located thereon or therein situated in Benton and Washington Counties, Arkansas, with the tenements, hereditaments, appurtenances, rights, privileges and immunities thereunto belonging or appertaining now owned or leased by the Authority or to be acquired or constructed as part of a project to be financed or refinanced by Bonds issued under the Indenture.

(b) All other properties of whatever nature now owned by the Authority or acquired, constructed or equipped as part of a project and not covered by the properties described in (a) above, including, without limitation, all assets, franchises, and rights, privileges, licenses, and rights of way.

(c) All revenues and income received while any bonds issued under the Indenture are outstanding, including particularly, the income received by the Authority from its contracts for the sale of water to wholesale customers and all other persons, firms, associations, corporations or organizations of any nature.

(d) All moneys in the Bond Fund (hereinafter described), the Debt Service Reserve Fund (hereinafter described) and the Construction Fund established pursuant to the Indenture and all investments therein and earnings thereon.

(e) Replacement properties (as described in Section 803 of the Indenture) and any and all other property of every name and nature from time to time heretofore or hereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred, as and for additional security for the Bonds, by the Authority or by any other person, firm or corporation to the Trustee, which is authorized to receive any and all such property at any time and at all times and to hold and to apply the same subject to the terms of the Indenture.

Rate Covenant. Under the Indenture, the Authority covenants and agrees that it will fix, charge and collect rates, fees and charges for water and services furnished by the Authority which shall produce total revenues in each fiscal year sufficient to (1) pay the Authority's operation, repair and maintenance expenses and (2) leave a balance equal to 110% of the debt service requirements for that fiscal year of all outstanding Bonds and Parity Obligations. The Authority covenants that it will revise the rates, fees and charges from time to time as necessary to comply with this covenant.

If the Authority fails to comply with its rate covenant in any fiscal year, it will undertake a study of the rate revisions necessary to again be in compliance with the rate covenant. The study shall be completed and filed with the Trustee not later than the 15th day of the sixth month of the following fiscal year. Revised rates, fees and charges, as indicated in the study, shall be placed into effect not later than the 15th day of the sixth month of the fiscal year immediately following the fiscal year in which the study is made. If the Authority complies with this provision it shall not be deemed in default for the fiscal year in which the rate study is made and the immediately following fiscal year, provided that the total revenues in each of these fiscal years are sufficient to make the payments and deposits provided for in clause (1) above and leave a balance equal to 100% of the debt service requirements for such fiscal year of all outstanding Bonds and Parity Obligations.

Funds. The following Funds are to be established or maintained under the Indenture.

Gross Receipts Fund. All revenues and income received by the Authority shall be paid upon receipt into a special fund designated "Gross Receipts Fund."

Operation and Maintenance Fund. Under the Indenture, there is required to be paid from the Gross Receipts Fund into a fund designated "Operation and Maintenance Fund," not later than the 15th day of each month while any Bonds issued under the Indenture are outstanding, an amount sufficient, together with existing moneys held for the credit of the Fund, to pay the reasonable monthly expenses of operation, repair and maintenance (exclusive of depreciation expense and debt service charges and expenses) of the properties of the Authority for the following month, and, to the extent determined by the Authority, to pay costs of betterments and improvements to the properties of the Authority, and from which disbursement shall be made only for those purposes. Fixed annual charges, such as insurance premiums, and the cost of major repair and maintenance expenses and costs of betterments and improvements, may be computed and set up on an annual basis and one-twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance Fund each month. If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid into the fund in the next succeeding month. If in any fiscal year, a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to defray the reasonable and necessary costs of operation, repair and maintenance of the properties of the Authority during the next succeeding four (4) months, such surplus may be transferred and deposited in the Bond Fund.

Bond Fund. (a) After the required deposit has been made in the Operation and Maintenance Fund, there shall be paid from the Gross Receipts Fund into the "2019B Bond Fund" (the "Bond Fund"), not later than the 20th day of each month, an amount equal to the sum of:

(1) one-sixth (1/6) of the next installment of interest on the outstanding Bonds, plus an amount sufficient to provide for Trustee's and Paying Agent's fees and expenses (the required payments for the months after delivery, and before the first interest payment date, of any series of Bonds shall be adjusted if necessary, so that the deposits made and any accrued or capitalized interest from the sale of the Bonds will be sufficient to cover the interest due and Trustee's and Paying Agent's fees and expenses); plus

(2) one-twelfth (1/12) of the next installment of principal on the outstanding Bonds; provided, however, the monthly deposits under this paragraph for the months after delivery and before the first principal payment date, of any series of Bonds shall be adjusted if necessary so that the deposits made will be sufficient to cover the principal due and provided that the deposits herein required for any series of Bonds need not commence until the time necessary to accumulate the first principal maturity of such series of Bonds in twelve monthly installments.

(b) The Authority may, from time to time, withdraw from the Bond Fund any moneys held therein which exceed an amount equal to required deposits pursuant to paragraph (a) ("Excess Bond Fund Moneys"). Otherwise, the Authority shall receive a credit against required monthly deposits into the Bond Fund to the extent of Excess Bond Fund Moneys on the date the deposit is due.

(c) If for any reason the funds in the Bond Fund shall at any time be insufficient to meet any required payment, then the amount of any such deficiency shall be paid immediately from the Gross Receipts Fund into the Bond Fund.

(d) When the moneys in the Bond Fund, together with moneys in the Debt Service Reserve Fund shall be and remain sufficient to pay the principal of and interest on all outstanding Bonds issued under the Indenture, and the Trustee's and Paying Agent's fees and expenses, there shall be no obligation to make any further payments into the Bond Fund.

(e) The moneys in the Bond Fund shall be used solely for the payment of the principal of the interest on the Bonds and the Trustee's and Paying Agent's fees and expenses and for no other purpose, except as provided in paragraph (b).

Debt Service Reserve Fund. The Indenture provides for the establishment of a 2019B Debt Service Reserve Fund (the "Debt Service Reserve Fund") in an amount equal to one-half of the maximum annual debt service requirements on the Bonds; provided, however, such required level shall be reduced to the extent that the deposit into the Debt Service Reserve Fund from the proceeds of a series of Additional Bonds to meet one-half of the maximum annual principal and interest on all outstanding Bonds would exceed 10% of the issue price of such Additional Bonds (the "Required Level"). With respect to the Series 2019 Bonds, the Reserve Policy, in the amount of the Required Level, will be deposited into the Debt Service Reserve Fund.

(a) Upon the issuance of each series of Bonds, there shall be deposited in the Debt Service Reserve Fund the amount necessary to maintain the Debt Service Reserve Fund at the Required Level after issuance of that series of Bonds.

(b) Moneys held for the credit of the Debt Service Reserve Fund shall be used for payment of principal of and interest on Bonds for which Bond Fund moneys are not available and for no other purpose except as specifically permitted herein. Subject to rights of the Insurer, if the amount held in the Debt Service Reserve Fund shall ever be less than the Required Level, the Fund shall be restored in twenty-four (24) equal monthly installments.

(c) Moneys held for the credit of the Debt Service Reserve Fund which exceed the Required Level shall be withdrawn from the Debt Service Reserve Fund and, except as provided in the Indenture, deposited into the Bond Fund.

(d) With the prior written consent of the Insurer, in lieu of depositing moneys into the Debt Service Reserve Fund, the requirements of this section may be satisfied by depositing with the Trustee a surety bond or debt service reserve insurance policy in the principal amount equal to the requirement, or portion, being satisfied. The surety bond or debt service reserve insurance policy must be issued by an insurance company rated not less than "A" or "A2" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") or Moody's Investors Service, Inc. ("Moody's") and must provide for payment to the Trustee, upon demand, of all or any part of the principal amount which may be needed for use for any purpose for which the Debt Service Reserve Fund moneys may be used under the Indenture.

(e) Repayment of draws and payment of expenses and accrued interest thereon pursuant to the Reserve Policy (collectively, the "Reserve Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Reserve Policy Costs related to such draw. Such repayment of Reserve Policy Costs shall be made after the required payments into the Bond Fund and the required payments for Parity Obligations, but prior to (i) any payments into any other fund or account and (ii) any required payments for any subordinate obligations of the Authority.

Parity Obligation Payments. The Trustee and the Authority further acknowledge that Parity Obligations are outstanding and may be issued by the Authority in the future. If there are insufficient moneys in the Gross Receipts Fund to make the monthly payments into the Bond Fund and the Debt Service Reserve Fund and to make monthly installments with respect to outstanding Parity Obligations (and debt service reserves therefor), the Authority shall make payments from the Gross Receipts Fund with respect to the Bonds and outstanding Parity Obligations pro rata based upon the outstanding principal amount of the Bonds and Parity Obligations.

Gross Receipts Fund Surplus. Any surplus remaining in the Gross Receipts Fund, on the first business day of each month, after making full provisions for the other funds described above, may be used for any lawful purpose. The monthly surplus shall be withdrawn and deposited in such fund or account as specified by the Board of Directors of the Authority.

Depositories of Funds. The Bond Fund, the Construction Fund, and the Debt Service Reserve Fund shall be established and maintained in the Trustee. The Gross Receipts Fund and the Operation and Maintenance Fund shall be established in such banks or trust companies that are from time to time designated by the Authority, provided each must be a member of the Federal Deposit Insurance Corporation.

All moneys in any of the above funds in excess of the amount insured by the Federal Deposit Insurance Corporation shall be secured by perfected pledges of Government Securities (as hereinafter defined) or other securities authorized by Arkansas law to secure public deposits or invested as authorized by the Indenture.

Nonpresentment of Bonds. In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if there shall have been deposited with the Paying Agent for the purpose, or left in trust if previously so deposited, funds sufficient to pay the principal thereof, together with all interest unpaid and due thereon, to the date of maturity thereof, or to the date fixed for redemption thereof, as the case may be, for the benefit of the holder thereof, all liability of the Authority to the holder thereof for the payment of the principal thereof and interest thereon shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such fund or funds, without liability for interest thereon, for the benefit of the holder of the Bond, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Bond.

Investment of Funds. Moneys held as part of the funds under the Indenture shall be invested in "Eligible Investments" pursuant to the terms of the Indenture.

(a) Moneys held for the credit of the Debt Service Reserve Fund shall, at the direction of the Authority, be invested and reinvested by the Trustee in Eligible Investments maturing, except for permitted investment agreements or repurchase agreements, within five (5) years from the date of investment. The Reserve Policy is an Eligible Investment for purposes of the Debt Service Reserve Fund.

(b) Moneys held for the credit of any other fund held by the Trustee under the Indenture may be invested and reinvested, as directed by the Authority, in Eligible Investments which shall mature (except in the case of money market funds) not later than the date or dates on which the money held for the credit of the particular fund will be required for the purposes intended as determined by the Authority.

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

(d) "Eligible Investments," as used in Section 701 of the Indenture, include only:

(1) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series); direct obligations of the United States Treasury which have been stripped by the Treasury itself, including CATS and TIGRS; the interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form; and obligations issued by the following agencies which are backed by the full faith and credit of the United States: United States Export-Import Bank, including direct obligations or fully guaranteed certificates of beneficial ownership; Farmers Home Administration, including certificates of beneficial ownership; Federal Financing Bank; General Services Administration, including participation certificates; U.S. Maritime Administration, including guaranteed Title XI financing; and U.S. Department of Housing and Urban Development, including project notes, local authority bonds, new communities debentures, and U.S. public housing notes and bonds (collectively, "Government Securities");

(2) Direct obligations of an agency, instrumentality or government-sponsored enterprise created by act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government;

(3) Money market funds comprised exclusively of Government Securities, investments described in (2) above, or other securities authorized by Arkansas law to secure public deposits;

(4) Time or demand deposits or certificates of deposit of banks, including the Trustee, that are members of the Federal Deposit Insurance Corporation and, to the extent not insured by the Federal Deposit Insurance Corporation, secured by a valid and enforceable pledge of Government Securities or other securities authorized by Arkansas law to secure public funds;

(5) Investment agreements, capital notes, deposits or banking arrangements with banks, trust companies or financial institutions (or holding companies thereof), provided that such obligations shall meet the requirements of all nationally recognized credit rating agencies currently rating the Bonds.

(6) (i) Obligations the interest on which is excluded from gross income of the owner thereof for federal income tax purposes under Section 103(a) of the Code, that are rated in the two highest long-term or short-term rating categories by S&P or Moody's, and are not private activity bonds under the Code; and (ii) United States Treasury-State and Local Government Series, demand deposit securities. If a bond rating agency other than S&P or Moody's is maintaining a rating on the bonds, ratings comparable to those described above shall be required for such obligations.

(f) The Trustee shall determine the market value of all investments from funds held by it on March 31 and September 30 of each year and shall report the market value to the Authority.

Discharge of Lien. The Bonds shall be deemed to have been paid for purposes of the Indenture if there has been deposited with the Trustee in trust either (a) moneys in an amount, or noncallable Government Securities the principal of and interest on which will, together with any moneys held by the Trustee at the same time and available for such purpose pursuant to

the Indenture, without further investment or reinvestment of either the principal amounts thereof or the interest earnings thereon, provide amounts which will be sufficient to pay when due the principal, interest, and premium, if any, to become due and payable on or prior to the respective redemption dates or maturity dates of such Bonds, and (b) in case any of such Bonds are to be redeemed on any date prior to their maturity, notice of such redemption shall have been duly given or arrangements satisfactory to the Trustee shall have been made for the giving of such notice.

Events of Default. Each of the following is an event of default under the Indenture:

- (a) Default in the due and punctual payment of any interest on any Bond or any Parity Obligation;
- (b) Default in the due and punctual payment of any moneys required to be paid into the Bond Fund or the Debt Service Reserve Fund and the continuation thereof for a period of thirty (30) days;
- (c) Default in the due and punctual payment of the principal of any Bond or any Parity Obligation whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;
- (d) Default in the performance or observance of any other of the covenants, agreements or conditions in the Indenture, or in the Bonds, or in Parity Obligations or documents securing Parity Obligations, and the continuance thereof for a period of thirty (30) days after written notice to the Authority by the Trustee or by the holders of not less than ten percent (10%) in aggregate principal amount of Bonds;
- (e) Declaration of bankruptcy by the Authority;
- (f) any other "event of default" as defined in a Parity Obligation or document securing a Parity Obligation; or
- (g) If an event of default occurs under any agreement pursuant to which any Obligation (as defined in the next sentence) of the Authority has been incurred or issued and that permits the holder of such Obligation or trustee to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the holders of the Series 2019 Bonds or the Insurer, as the Insurer may determine in its sole discretion, then an event of default shall be deemed to have occurred under the Indenture for which the Insurer or the Trustee, at the direction of the Insurer, shall be entitled to exercise all available remedies under the Indenture, at law and inequity. For purposes of the foregoing sentence, "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 Series 2019 Bonds.

The term "default" shall mean default by the Authority in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture, in the Bonds, in any Parity Obligation or in any document securing a Parity Obligation exclusive of any period of grace required to constitute a default an "event of default as hereinabove provided, or as provided in a Parity Obligation or a document securing a Parity Obligation.

Acceleration. Subject to the rights of the Insurer, upon the occurrence of an event of default, the Trustee may, and upon the written request of the holders of twenty-five percent (25%) in aggregate principal amount of Bonds outstanding under the Indenture (regardless of series) shall, by notice in writing delivered to the Authority, declare the principal of all Bonds secured and then outstanding under the Indenture and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

Remedies.

(a) **Remedies of the Insurer.** Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or the Trustee for the benefit of the holders of the Bonds under the Indenture. No default or event of default may be waived without the Insurer's written consent.

(b) **Right of Entry.** Upon the occurrence of any event of default, the Authority, upon demand of the Trustee, shall forthwith surrender to it the actual possession of all or any part of the mortgaged properties with the books, papers and accounts of the Authority pertaining thereto and to hold, operate and manage the same, and from time to time to make all needful repairs and improvements as by the Trustee shall be deemed wise; and the Trustee, with or without such permission, may collect, receive and sequester the revenues, earnings, income, products and profits therefrom and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of, all proper

costs and expenses of so taking, holding and managing the properties, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the trustee, and all taxes, assessments and other charges prior to the lien of the Indenture and all expenses of such repairs and improvements, and apply the remainder of the money so received by the Trustee in accordance with the applicable provisions of the Indenture. Whenever all that is due upon such Bonds and installments of interest under the terms of the Indenture shall have been paid and all defaults made good, the Trustee shall surrender possession to the Authority, its successors or assigns.

While in possession of such property, the Trustee shall render annually to the registered owners a summarized statement of income and expenditures in connection therewith.

(c) Other Remedies. Upon the occurrence of an event of default, the Trustee may, as an alternative, proceed either after entry or without entry, to pursue any available remedy by suit at law or equity to enforce the payment of the principal of and interest on the Bonds then outstanding, including, without limitation, foreclosure and mandamus.

If an event of default shall have occurred, and if the Trustee shall have been requested so to do by the holders of twenty-five percent (25%) in aggregate principal amount of Bonds then outstanding and shall have been indemnified as provided in the Indenture, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred upon it by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interest of the bondholders.

No remedy conferred upon or reserved to the Trustee (or to the bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default, whether by the Trustee or by the bondholders, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

Bondholders' Right to Direct. The holders of a majority in aggregate principal amount of Bonds outstanding shall have the right, at any time, by any instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Appointment of Receiver. Upon the occurrence of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the bondholders under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the mortgaged property and of the tolls, rents, revenues, issues earnings, income, products and profits thereof, pending such proceedings with such powers as the court making such appointment shall confer.

Applications of Moneys. Available moneys shall be applied by the Trustee as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: to the payment to the persons entitled thereto of all installments of interest then due, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

Second: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

Third: to the payment of the interest on and the principal of the Bonds, and to the redemption of bonds.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled, then, subject to the provisions of paragraph (b) above in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) above.

Limitation of Bondholder Rights. No holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust or for the appointment of a receiver or any other remedy, unless a default has occurred of which the Trustee has been notified as provided in the Indenture, or of which it is deemed to have notice, nor unless such default shall have become an event or default and the holders of twenty-five percent (25%) in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted under the Indenture or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in the Indenture nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy.

Waivers by Trustee. The Trustee may in its discretion waive any event of default under the Indenture and its consequences and rescind any declaration or maturity of principal, and shall do so upon the written request of the holders of fifty percent (50%) in principal amount of all Bonds outstanding (of all series but not necessarily of each series); provided, however, that there shall not be waived (a) any event of default in the payment of principal of any Bonds outstanding at the date of maturity specified therein or (b) any default in the payment of the interest or of deposits into the Bond Fund unless prior to the waiver or rescission all arrears of interest, with interest at the rate borne by the Bonds in respect of which such default shall have occurred on overdue installments of interest or all arrears of Bond Fund payments, as the case may be, and all expenses of the Trustee shall have been paid or provided for and in case of any such waiver or rescission or in case any proceeding taken by the Trust on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Trustee, the Authority and the bondholders shall be restored to their former positions and rights, respectively, but no such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

Supplemental Indentures Not Requiring Consent of Bondholders. The Authority and the Trustee may, from time to time and at any time, enter into such supplemental indenture as shall not be inconsistent with the terms and provisions of the Indenture (a) to cure any ambiguity or formal defect or omission in the Indenture or in any supplemental indentures, or (b) to grant to or confer upon the Trustee for the benefit of the holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the bondholders or the Trustee, or (c) in connection with the issuance of Additional Bonds, or (d) to make any other change determined by the Trustee, in reliance on opinions of counsel and certifications of the Authority, to be not materially adverse to the interests of the Bondholders or which does not involve a change referred to in Section 1202 of the Indenture which requires consent of specific Bondholders. The consent of the Insurer shall be required for supplemental indentures entered into for the purposes contained in (d) above. No consent of the Insurer shall be required for supplemental indentures entered into for the purpose contained in (a), (b), or (c) above.

Supplemental Indentures Requiring Consent of Bondholders. With the consent of the Insurer, the holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding (of all series but not necessarily each series) shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such supplemental indenture or indentures as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that no supplemental indenture shall permit, or be construed as permitting (a) an extension of the maturity of the

principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) the creation of a lien upon the mortgaged properties or a pledge of the revenues pledged to Bonds issued under the Indenture other than the lien and pledge created and authorized by the Indenture or which purports to be on a parity with the lien and pledge created by and authorized by the Indenture other than as authorized by the original indenture, or (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture.

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THE CONTINUING DISCLOSURE AGREEMENT

Past Compliance. During the past five years, the Authority has been obligated to comply with continuing disclosure agreements related to three bond issues. Such agreements require the Authority to file certain information with the Municipal Securities Rulemaking Board on EMMA within various time periods set forth in the agreements. The following summarizes a non-exhaustive discussion of the Authority's compliance with its continuing disclosure obligations over the past five years.

As part of its annual reports, the Authority has been obligated to file annual audited financial statements. For one bond issue, the Authority was required to file its audited financial statements of the Authority on EMMA within 180 days after the end of the Authority's fiscal year (December 31); provided, however, that if such audited financial statements were not available by that date, the Authority was required to make such filing within 30 days of the audited financial statements becoming available. For the remaining two bond issues, the Authority was required to file audited financial statements on EMMA within 180 days after the end of the System's fiscal year (December 31); provided, however, that if such audited financial statements were not available by that date, the Authority was required to make such filing within 60 days of the audited financial statements becoming available.

The Authority's audited financial statements for the fiscal years ended December 31, 2014 through December 31, 2018 were timely filed.

All of the continuing disclosure agreements require that certain supplemental financial and operating data be provided as part of the annual report. The Authority filed on EMMA all required supplemental financial and operating data. For the fiscal years ended December 31, 2014 through December 31, 2018, the required supplemental financial and operating data was timely filed.

The continuing disclosure agreements also obligated the Authority to file a notice of the occurrence of any event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5). Included in the listed events are bond calls and rating changes. No notice was filed with respect to bond insurer rating changes. Except as set forth above, for the previous five years, the Authority has complied, in all material respects, with its obligations under its continuing disclosure undertakings.

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

Generally. The Authority will enter into a Continuing Disclosure Agreement with respect to the Series 2019 Bonds.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement will be executed and delivered by the Authority and the Dissemination Agent (defined below) for the benefit of the Beneficial Owners of the Series 2019 Bonds and in order to assist the Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

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

"Annual Report" shall mean an Annual Report provided by the Authority pursuant to, and as described in, the Continuing Disclosure Agreement.

"Beneficial Owner" of a Series 2019 Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Series 2019 Bond (including persons holding Series 2019 Bonds through nominees, depositories or other intermediaries).

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

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

"Financial Obligation" shall mean 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 obligations described in (A) or (B).

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.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Reports. (a) The Authority shall, or cause the Dissemination Agent to, not later than June 30 of each year (or 180 days after the end of the Authority's fiscal year if the Authority's fiscal year changes), commencing with the report after the end of the 2019 fiscal year, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, and to the Insurer an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Each Annual Report may be submitted as a single document or as separate documents comprising a package and may cross reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within sixty (60) days after receipt thereof by the Authority. If the fiscal year of the Authority changes, it shall give notice of such change in the manner as for a Listed Event.

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

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB and to the Insurer.

Content of Annual Reports. Each of the Authority's Annual Reports shall contain or incorporate by reference the following:

Any amendment to or termination of a Water Purchase Contract between the Authority and an Entity, as described under the caption **THE AUTHORITY**, and the then current charges to the Entities for water; information of the type set forth in the Official Statement under the caption **THE AUTHORITY** concerning water sales for the last fiscal year and the four (4) previous fiscal years; information of the type set forth in the Official Statement under the caption **THE ENTITIES AND THE COUNTIES** concerning current Entities and the number of customers of each Entity for the last fiscal year; and the annual audit of the Authority prepared in accordance with Government Auditing Standards issued by the Comptroller General of the United States or applicable State law.

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

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modification to rights of security holders, if material.
8. Series 2019 Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Authority.
13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

(c) After the occurrence of a Listed Event (excluding an event described in (a)8 above), the Authority shall file (or shall cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent) and to the Insurer. Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)8 above, the Trustee shall make the filing and notice thereof need not be given any earlier than the notice for the underlying event is given to registered owners of affected Series 2019 Bonds pursuant to the terms of the Indenture.

Termination of Reporting Obligations. The Authority's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the affected Series 2019 Bonds.

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

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

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Authority with respect to the Series 2019 Bonds, or the type of business conducted;

(b) The Continuing Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2019 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the affected Series 2019 Bonds in the same manner as provided in the Indenture for the affected Series 2019 Bonds for amendments to the Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel in reliance upon certifications of the Authority, materially impair the interests of the Beneficial Owners of the Series 2019 Bonds.

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

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

Default. In the event of a failure of the Authority or the Dissemination Agent (if the Trustee is not the Dissemination Agent) to comply with any provision of the Continuing Disclosure Agreement, the Insurer, the Underwriter, the Trustee, or any Beneficial Owner may (and the Trustee, at the request of the Beneficial Owners of at least 25% aggregate principal amount of outstanding Series 2019 Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority 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 shall not be deemed a default under the Indenture, and the sole remedy under a Continuing Disclosure Agreement in the event of any failure of the Authority or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

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

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the Authority, the Dissemination Agent, the Insurer, the Underwriter and the Beneficial Owners of the affected Series 2019 Bonds and shall create no rights in any other person or entity.

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BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2019 Bond certificate for each maturity will be issued in the principal amount of the maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates.

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

Purchases of Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019 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 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent only to Cede & Co. If fewer than all of the Series 2019 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Series 2019 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 Authority or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners

will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2019 Bonds are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2019 Bonds will be printed and delivered.

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

So long as the Series 2019 Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Series 2019 Bonds for all purposes under the Resolution, including receipt of all principal of and interest on the Series 2019 Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Indenture. The Authority and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2019 Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to owners of Series 2019 Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Series 2019 Bonds.

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TAX MATTERS

Federal Law (Federally Taxable). Any federal tax advice contained in this Official Statement pertaining to the Series 2019 Bonds was written to support the promotion or marketing of the Series 2019 Bonds and is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code of 1986, as amended (the "Code"). All taxpayers should seek advice based on such taxpayer's particular circumstances from an independent tax advisor. This disclosure is provided to comply with Treasury Circular 230.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2019 Bonds under the Code, the Regulations and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. This summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. This summary does not address owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold Series 2019 Bonds (or foreign currency) as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprised of a Series 2019 Bond and one or more other investments, or purchasers that have a "functional currency" other than the U.S. dollar. Except to the extent discussed below under "Foreign Investors," this summary is not applicable to non-United States persons not subject to federal income tax on their worldwide income. This summary does not discuss the tax laws of any state other than Arkansas or any local or foreign governments. Potential purchasers of the Series 2019 Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2019 Bonds.

General. Although there are not any regulations, published rulings, or judicial decisions involving the characterization for federal income tax purposes of securities with terms substantially the same as the Series 2019 Bonds, Bond Counsel has advised that the Series 2019 Bonds will be treated for federal income tax purposes as evidences of indebtedness of the State and not as an ownership interest in the trust estate securing the Series 2019 Bonds or as an equity interest in the State or any other party, or in a separate association taxable as a corporation. Although the Series 2019 Bonds are issued by the State, interest on the Series 2019 Bonds (including original issue discount, if any, as discussed below) is not excludable from gross income for federal income tax purposes under Code Section 103. Interest on the Series 2019 Bonds will be fully subject to federal income taxation. Thus, owners of the Series 2019 Bonds generally must include interest (including any original issue discount and market discount) on the Series 2019 Bonds in gross income for federal income tax purposes.

In general, interest paid on the Series 2019 Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Series 2019 Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount) will be treated as a return of capital.

Market Discount. An investor that acquires a Series 2019 Bond for a price less than the adjusted issue price of such Series 2019 Bond (or an investor who purchases a Series 2019 Bond in the initial offering at a price less than the issue price) may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (i) in the case of a Series 2019 Bond originally issued at a discount, the amount by which the issue price of such Series 2019 Bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (ii) in the case of a Series 2019 Bond not originally issued at a discount, the amount by which the stated redemption price of such Series 2019 Bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Series 2019 Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a bond as ordinary income to the extent of any remaining accrued market discount (as described at "Sale or Other Dispositions" under this caption) or (ii) to elect to include such market discount and income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued

by the Treasury Department, certain rules described in legislative history will apply. Under those rules, market discount will be included in income, in the case of a Series 2019 Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Series 2019 Bond who acquired a Series 2019 Bond at a market discount also may be required to defer, until the maturity date of such Series 2019 Bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2019 Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Series 2019 Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2019 Bond for the days during the taxable year on which the owner held the Series 2019 Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction to be taken into account in the taxable year in which the Series 2019 Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Treasury regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Sales or Other Dispositions. If a Series 2019 Bond is sold, redeemed prior to maturity or otherwise disposed of in a taxable transaction, gain or loss will be recognized in an amount equal to the difference between the amount realized on the sale or other disposition, and the adjusted basis of the transferor in the Series 2019 Bond. The adjusted basis of a Series 2019 Bond generally will be equal to its costs, increased by any original issue discount or market discount included in the gross income of the transferor with respect to the Series 2019 Bond and reduced by any amortized bond premium under Section 171 of the Code and by the payments on the Series 2019 Bond (other than payments of qualified stated interest), if any, that have previously been received by the transferor. Except as provided in Section 582(c) of the Code, relating to certain financial institutions, or as discussed in the following paragraph, any such gain or loss will be a capital gain or loss taxable at the applicable rate determined by the Code if the Series 2019 Bond to which it is attributable is held as a "capital asset."

Gain on the sale or other disposition of a Series 2019 Bond that was acquired at a market discount will be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period that the Series 2019 Bond was held by the transferor (after reduction by any market discount includable in income by such transferor in accordance with the rules described above under "Market Discount"). In addition, if the State is determined (pursuant to regulations that have yet to be promulgated under Code Section 1271(g)(2)(A)) to have had an intention on the date of original issuance of the Series 2019 Bonds to call all or a portion of the Series 2019 Bonds prior to maturity, then gain on the sale or other disposition of a Series 2019 Bond in an amount equal to the original issue discount not previously includable in gross income would be required to be treated as ordinary income taxable at the applicable rate determined by the Code.

Backup Withholding. Payments of principal and interest (including original issue discount) on the Series 2019 Bonds, as well as payments of proceeds from the sale of Series 2019 Bonds may be subject to the "backup withholding tax" under Section 3406 of the Code with respect to interest or original issue discount on the Series 2019 Bonds if recipients of such payments (other than foreign investors who have properly provided certifications described below) fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the federal income tax of such recipient.

Foreign Investors. An owner of a Series 2019 Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2019 Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2019 Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States

person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax will apply to interest paid and original issue discount accruing on Series 2019 Bonds owned by foreign investors. In those instances in which payments of interest on the Series 2019 Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Series 2019 Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2019 Bond.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA (an "ERISA Plan") and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of a Series 2019 Bond, could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons and Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the State or any underwriter of the Series 2019 Bonds, might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if Series 2019 Bonds are acquired by such plans or arrangements with respect to which the State or any underwriter is a party in interest or disqualified person. In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2019 Bonds.

The foregoing summary as to Series 2019 Bonds is not intended as an exhaustive recital of the potential tax consequences of holding the Series 2019 Bonds. Prospective purchasers of the Series 2019 Bonds should consult their tax advisors with respect to the federal, state and local tax consequences of the ownership of the Series 2019 Bonds. Bond Counsel will not render any opinion with respect to any federal tax consequences of ownership of the Series 2019 Bonds.

State Law. Further, in the opinion of Bond Counsel, under existing laws, the Series 2019 Bonds and interest thereon are exempt from all Arkansas state, county and municipal income taxation, and the Series 2019 Bonds are exempt from property taxes in the State.

LEGALITY

Legal matters incident to the authorization and issuance of the Series 2019 Bonds are subject to the approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel. Certain matters will be passed upon for the Authority by its counsel Hall Estill, Fayetteville, Arkansas.

LITIGATION

There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Series 2019 Bonds or questioning or affecting the legality of the Series 2019 Bonds or the proceedings and authority under which the Series 2019 Bonds are to be issued, or questioning the right of the Authority to execute and deliver the Indenture or to issue the Series 2019 Bonds.

ENFORCEABILITY OF REMEDIES

Rights of the registered owners of the Series 2019 Bonds and the enforceability of the remedies available under the Indenture authorizing the Series 2019 Bonds may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State of Arkansas or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Indenture authorizing the Series 2019 Bonds resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

UNDERWRITING

Crews & Associates, Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Series 2019 Bonds from the Authority at a purchase price of \$58,181,833.55 (principal amount less Underwriter's discount of \$815,306.25, less original issue discount of \$297,860.20). The Underwriter is committed to purchase all of the Series 2019 Bonds if any are purchased.

The Series 2019 Bonds are being purchased by the Underwriter for reoffering in the normal course of the Underwriter's business activities. The Underwriter may offer and sell the Series 2019 Bonds to certain dealers (including dealers depositing Series 2019 Bonds into investment accounts) and others at prices lower than the offering price stated on the inside front cover hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

The Underwriter retains the right to conduct related and/or unrelated business with the Authority and its agents, to include the purchase of securities for the purpose accomplishing the purposes for which the Series 2019 Bonds are being issued.

RATINGS

S&P is expected to assign a credit rating of "AA/Stable" to the Series 2019 Bonds with the understanding that the scheduled payment of principal of and interest on the Series 2019 Bonds will be guaranteed under the Policy to be issued by the Insurer. S&P has assigned an underlying credit rating of "A+ (Stable)" to the Series 2019 Bonds.

Any rating issued reflects only the view of the rating agency. Any explanation of the significance of such ratings may only be obtained from the rating agency. There is no assurance that such ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Neither the Authority nor the Underwriter undertakes any responsibility either to bring to the attention of the owners of the Series 2019 Bonds downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Series 2019 Bonds.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2019 Bonds.

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

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

BENTON WASHINGTON REGIONAL PUBLIC
WATER AUTHORITY OF THE STATE OF
ARKANSAS

By: /s/ Mike Taggart
President

APPENDIX A

Audited Financial Statements of the Authority for the
Fiscal Years Ended December 31, 2018 and 2017

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
Rogers, Arkansas
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2018 and 2017
and
INDEPENDENT AUDITOR'S REPORT**

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
Rogers, Arkansas
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2018 and 2017**

<u>Contents</u>	<u>Page</u>
Independent Auditor's Report	1-2
Statements of Net Position	3
Statements of Revenues, Expenses, and Changes in Net Position	4
Statements of Cash Flows.....	5
Notes to Financial Statements	
Note 1 - Summary of Significant Accounting Policies	6-8
Note 2 - Long-Term Debt	8-9
Note 3 - Restricted Cash and Cash Equivalents	9
Note 4 - Deposits with Financial Institutions	9
Note 5 - Capital Assets	10
Note 6 - Commitments	10
Note 7 - Investments	11
Note 8 - Advance Refundings and In-Substance Defeasance	11
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>	12-13
Required Supplementary Information Budgetary Comparison Schedule	14

BERRY & ASSOCIATES, P.A.

Certified Public Accountants

American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

Page 1

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Benton/Washington Regional Public Water Authority of the State of Arkansas
Rogers, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the Benton/Washington Regional Public Water Authority of the State of Arkansas, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Benton/Washington Regional Public Water Authority of the State of Arkansas's 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 of material misstatement.

An audit includes 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Benton/Washington Regional Public Water Authority of the State of Arkansas as of December 31, 2018 and 2017, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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**Board of Directors
Benton/Washington Regional Public Water Authority of the State of Arkansas**

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 14 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements. Such missing information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operation, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2019 on our consideration of the Benton/Washington Regional Public Water Authority of the State of Arkansas'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 Benton/Washington Regional Public Water Authority of the State of Arkansas's internal control over financial reporting and compliance.

Berry & Associates

BERRY & ASSOCIATES, P.A.
Little Rock, Arkansas
April 25, 2019

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF NET POSITION
December 31, 2018 and 2017**

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 227,143	\$ 151,181
Accounts receivable	725,998	608,132
Prepaid expenses	7,082	4,106
Total current assets	<u>960,223</u>	<u>763,419</u>
NON-CURRENT ASSETS		
Restricted cash and cash equivalents	4,013,337	2,752,090
Investments	1,117,479	2,028,200
Loan servicing fees, net of accumulated amortization of \$84,780 and \$66,338 2018 and 2017, respectively	413,574	432,016
Intangible assets, net of accumulated amortization of \$767,997 and \$731,426 in 2018 and 2017	329,142	365,713
Capital assets		
Capital assets, net of accumulated depreciation	<u>62,773,846</u>	<u>64,071,860</u>
TOTAL ASSETS	<u>\$ 69,607,601</u>	<u>\$ 70,413,298</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 47,088	\$ 363,202
Retainage payable	9,465	26,656
Total current liabilities	<u>56,553</u>	<u>389,858</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Current maturities of long-term debt	1,845,000	1,790,000
Accrued interest payable	444,118	455,957
Total current liabilities payable from restricted assets	<u>2,289,118</u>	<u>2,245,957</u>
LONG-TERM DEBT, net of current maturities	<u>52,635,000</u>	<u>54,480,000</u>
TOTAL LIABILITIES	<u>54,980,671</u>	<u>57,115,815</u>
NET POSITION		
Net investment in capital assets	9,970,115	10,443,864
Restricted	183,922	183,922
Unrestricted	4,472,893	2,669,697
Total net position	<u>14,626,930</u>	<u>13,297,483</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 69,607,601</u>	<u>\$ 70,413,298</u>

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

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Water revenue	\$ 8,691,496	\$ 7,769,138
OPERATING EXPENSES		
Water purchases	6,468	8,337
Payroll expenses	1,245,468	1,183,353
Advertising	2,611	2,540
Chemicals	314,880	328,495
Contract labor	19,730	-
Depreciation	2,311,881	2,183,698
Amortization	55,013	55,013
Office supplies	28,045	16,857
Repairs and maintenance	310,904	170,315
Supplies and tools	7,276	1,260
Auto expense	62,770	57,080
Dues and subscriptions	26,927	27,091
Insurance	369,632	358,486
Other operating expenses	72,239	52,043
Professional fees	33,530	26,023
Telephone	12,924	10,937
Travel	6,315	568
Uniforms	8,277	3,632
Utilities	587,827	548,176
Total operating expenses	<u>5,482,717</u>	<u>5,033,904</u>
OPERATING INCOME	<u>3,208,779</u>	<u>2,735,234</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	45,552	442,727
Interest expense	(1,941,285)	(3,443,279)
Gain (Loss) on disposal of capital assets	1,700	-
Other income	14,701	2,249
Net non-operating (expenses)	<u>(1,879,332)</u>	<u>(2,998,303)</u>
CHANGE IN NET POSITION	1,329,447	(263,069)
NET POSITION - BEGINNING OF YEAR	<u>13,297,483</u>	<u>13,560,552</u>
NET POSITION - ENDING OF YEAR	<u>\$ 14,626,930</u>	<u>\$ 13,297,483</u>

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

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017**

	2018	2017
Cash flows from operating activities:		
Cash received from members	\$ 8,573,630	\$ 7,799,972
Cash payments to suppliers	(2,412,679)	(1,628,451)
Cash payments to employees	(1,039,424)	(1,079,331)
Net cash provided by operating activities	<u>5,121,527</u>	<u>5,092,190</u>
Cash flows from investing activities:		
Change in restricted cash and cash equivalents	(1,261,247)	950,003
Change in escrow balance	-	41,877,634
Net change in investments	910,721	(726,515)
Interest income received	45,552	442,727
Net cash provided (used) by investing activities	<u>(304,974)</u>	<u>42,543,849</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(271,367)	(979,655)
Proceeds from sale of capital assets	1,700	-
Other income received	14,701	2,249
Costs incurred on construction in progress	(742,501)	(548,536)
Principal payments on in-substance defeasances	-	(40,355,000)
Interest payments on in-substance defeasances	-	(1,949,149)
Principal payments on long-term debt	(1,790,000)	(1,755,000)
Interest payments on long-term debt	(1,953,124)	(1,988,224)
Net cash used by financing activities	<u>(4,740,591)</u>	<u>(47,573,315)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	75,962	62,724
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	151,181	88,457
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 227,143</u>	<u>\$ 151,181</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,208,779	\$ 2,735,234
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,366,894	2,238,711
Provision for gain on disposal of capital assets	(1,700)	-
(Increase) Decrease in:		
Accounts receivable	(117,866)	30,834
Investments	(2,976)	(101)
Increase (Decrease) in:		
Retainage payable	(17,191)	(249,530)
Accounts payable	(314,413)	337,042
	<u>1,912,748</u>	<u>2,356,956</u>
Net cash provided by operating activities	<u>\$ 5,121,527</u>	<u>\$ 5,092,190</u>

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

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Benton/Washington Regional Public Water Authority of the State of Arkansas (the "Authority"), formally known as Benton/Washington County Water Association (the "Association"), was originally formed in 1992 as a nonprofit organization, under the laws of the State of Arkansas. In 2001, pursuant to the provisions of the Arkansas Code Annotated Section 4-35-201 to 217, the Association was issued a Certificate of Existence changing its legal status to a public water authority. The purpose of the Authority is to engage in activities relating to the acquisition and utilization of water and water storage facilities. The Authority is not included in any other governmental reporting entity, as defined by *Governmental Accounting and Financial Reporting Standards*.

Basis of Presentation and Accounting

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets; restricted for debt service; and unrestricted components.

Estimates

Management of the Authority has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. Certificate of deposits are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. The Authority defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

Accounts Receivable

The Authority has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however during the years ended December 31, 2018 and 2017, management determined that no accounts needed to be written off.

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't):

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Asset	Years
Machinery & Equipment	5-7
Office Equipment	5-7
Vehicles	5
Water Plant	40

Long-Term Debt and Costs

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance refundings of debt are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

Intangible Assets

The Authority amortizes intangible assets with finite lives on a straight-line basis over their estimated useful lives. Intangible assets include the value placed on the contract that the Authority entered into with the U.S. Corp of Engineers to purchase their supply of water. Amortization expense related to the U.S. Corps of Engineers contract totaled \$36,571 for the year ended December 31, 2018. Estimated annual amortization expense for U.S. Corps of Engineers contract will be approximately \$36,571 through the year 2028.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Authority's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Equity Classifications

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. 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 improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of 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 through 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 position that does not meet the definition of "restricted."

Capitalized Interest

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

Date of Management's Review

Subsequent events have been evaluated through April 25, 2019, which is the date the financial statements were available to be issued.

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't):

Budgets and Budgetary Accounting

Prior to the beginning of the new fiscal year, the Board of Directors adopts an annual budget for the Authority. The budget of the Authority is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, and nonoperation income and expense items are not considered. All annual appropriations lapse at fiscal year-end.

NOTE 2 - LONG-TERM DEBT:

	<u>2018</u>	<u>2017</u>
Arkansas Water Revenue Refunding and Improvement Bond Series 2013 paid semi-annually with bonds maturing annually through December 2040. (1)	\$ 5,340,000	\$ 5,520,000
Water Revenue Refunding Bonds Series 2014, paid semi-annually with bonds maturing annually through October 2038. (2)	40,820,000	42,230,000
Water Revenue Bonds Series 2016, paid semi-annually with bonds maturing annually through October 2046. (3)	8,320,000	8,520,000
	<u>54,480,000</u>	<u>56,270,000</u>
Less Current Portion	<u>(1,845,000)</u>	<u>(1,790,000)</u>
Long Term Portion	<u>\$ 52,635,000</u>	<u>\$ 54,480,000</u>

- (1) The bond has restrictive covenants, including the requirement to maintain a debt reserve fund in the amount of \$183,922 for the life of the bond.
- (2) The bond has restrictive covenants, including the requirement that a debt service reserve be provided in an amount equal to one-half of the maximum annual debt service requirements on the bonds. This debt service reserve is provided with a municipal bond debt service reserve insurance policy.
- (3) The bond has restrictive covenants, including the requirement that a debt service reserve be provided in an amount equal to one-half of the maximum annual debt service requirements on the bonds. This debt service reserve is provided with a municipal bond debt service reserve insurance policy.

The annual maturities of long-term debt payable at December 31, 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,845,000	\$ 1,903,224	\$ 3,748,224
2020	1,890,000	1,851,723	3,741,723
2021	1,945,000	1,798,924	3,743,924
2022	2,000,000	1,744,194	3,744,194
2023	2,055,000	1,687,562	3,742,562
2024-2028	11,300,000	7,435,373	18,735,373
2029-2033	13,555,000	5,162,245	18,717,245
2034-2038	16,250,000	2,461,679	18,711,679
2039-2043	2,375,000	258,943	2,633,943
2044-2046	1,265,000	84,315	1,349,315
	<u>\$ 54,480,000</u>	<u>\$ 24,388,182</u>	<u>\$ 78,868,182</u>

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

NOTE 2 - LONG-TERM DEBT (con't):

Long-term liability activity for the years ended December 31, 2018 and 2017 is as follows:

	Balance 12/31/17	Additions	Retirements	Balance 12/31/18	Due Within One Year
Water Revenue Bonds	\$ 56,270,000	\$ -	\$ (1,790,000)	\$ 54,480,000	\$ 1,845,000

	Balance 12/31/16	Additions	Retirements/ Defeasements	Balance 12/31/17	Due Within One Year
Water Revenue Bonds	\$ 58,025,000	\$ -	\$ (1,755,000)	\$ 56,270,000	\$ 1,790,000

The Authority has pledged future water customer revenues, net of specified operating expenses, to repay \$54,480,000 in water revenue bonds. Proceeds from the bonds were used for building the Authority's water system and for refunding current obligations. Principal and interest on the bonds are payable through 2046, solely from the water customer net revenues. Principal and interest paid in the year ended December 31, 2018 were \$1,790,000 and \$1,953,124, respectively. Principal and interest paid in the year ended December 31, 2017 were \$1,755,000 and \$1,988,224, respectively.

NOTE 3- RESTRICTED CASH AND CASH EQUIVALENTS:

Restricted assets consist of cash reserves restricted by long-term debt covenants. The long-term debt covenants require minimum reserves for bond payments and a debt service fund (see Note 2).

The following is a list of the restricted cash at December 31:

	2018	2017
Debt Reserves	\$ 4,013,337	\$ 2,752,090

NOTE 4- DEPOSITS WITH FINANCIAL INSTITUTIONS:

As required by law, all funds are deposited in approved banks. The deposited funds are insured by the Federal Deposit Insurance Corporation ("FDIC") or collateralized by securities held by the banks in the Authority's name. The deposited funds were properly insured at December 31, 2018 and 2017.

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

NOTE 5 – CAPITAL ASSETS:

A summary of changes in property, plant, and equipment for the years ended December 31, 2018 and 2017 are as follows:

	Balance 12/31/2017	Additions	Deletions/ Transfers	Balance 12/31/2018
Land	\$ 269,711	\$ -	\$ -	\$ 269,711
Office equipment	44,311	2,153	-	46,464
Machinery and equipment	216,793	92,299	(3,500)	305,592
Vehicles	182,459	-	-	182,459
Water treatment plant	89,717,505	1,159,192	-	90,876,697
Construction in progress	548,536	742,501	(982,277)	308,760
Total	90,979,315	1,996,145	(985,777)	91,989,683
Less: Accumulated depreciation	(26,907,455)			(29,215,837)
Total capital assets	\$ 64,071,860			\$ 62,773,846

	Balance 12/31/2016	Additions	Deletions/ Transfers	Balance 12/31/2017
Land	\$ 269,711	\$ -	\$ -	\$ 269,711
Office equipment	47,974	-	(3,663)	44,311
Machinery and equipment	192,318	24,475	-	216,793
Vehicles	180,329	24,912	(22,782)	182,459
Water treatment plant	81,227,282	8,490,223	-	89,717,505
Construction in progress	7,559,955	548,536	(7,559,955)	548,536
Total	89,477,569	9,088,146	(7,586,400)	90,979,315
Less: Accumulated depreciation	(24,750,204)			(26,907,455)
Total capital assets	\$ 64,727,365			\$ 64,071,860

NOTE 6 – COMMITMENTS:

The Authority started a construction project to repaint and repair tanks during the year ended December 31, 2017 and completed a portion of the project as of December 31, 2018. The Authority has entered into a contract with a painting company for the amount of \$1,377,683 and total costs of \$1,148,058 were incurred on this contract as of December 31, 2018. The Authority started a construction project for a new elevated storage tank during the year ended December 31, 2018. The Authority has entered into a contract with an engineering firm for the amount of \$245,000 and total costs of \$157,500 were incurred on this contract.

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

NOTE 7 – INVESTMENTS:

Investments are composed of debt and equity securities carried at fair value. Fair value of securities is determined by quoted market price. Unrealized gains and losses are included in the net gain or loss on investments in the statement of activities. Investments included the following at December 31:

	<u>2018</u>	<u>2017</u>
Regions Bank 2014 Bond Fund	\$ 741,259	\$ 735,077
Regions Bank 2014 Debt Service Reserve Fund	1	1
Regions Bank 2013 Construction Fund	-	96,826
Regions Bank 2013 Bond Fund	67,192	31,338
Regions Bank Series 2002B Bond Fund	183,922	183,922
Regions Bank 2016 Bond Fund	117,936	117,265
Regions Bank 2016 Debt Service Reserve Fund	1	1
Regions Bank 2016 Construction Fund	7,168	863,770
	<u>\$ 1,117,479</u>	<u>\$ 2,028,200</u>

NOTE 8 – ADVANCE REFUNDINGS AND IN-SUBSTANCE DEFEASANCE:

In October 2014, the Authority refunded and defeased the Water Revenue Refunding and Construction Bonds, Series 2007 of \$42,070,000 with new debt of \$46,485,000 issued by the Water Revenue Refunding Bonds, Series 2014. A portion of the new debt, \$45,127,358, was placed in an escrow trust account to provide for all future debt service payments on Series 2007 bonds. The Series 2007 Bonds will be defeased with United States Treasury Obligations – State and Local Government Series that will provide a cash flow to pay interest on the Series 2007 Bonds through October 1, 2017, to pay principal of the Series Bonds due October 1, 2015, 2016, and 2017, and to redeem the Series 2007 Bonds maturing after October 1, 2017 on October 1, 2017 at a price of par plus accrued interest. As of December 31, 2017 the Series 2007 Bond has been fully paid and the Escrow Funds have a \$0 balance.

The sources and uses of funds required for the transaction are shown below.

<u>Sources</u>	
Principal Amount of Series 2014 Bonds	\$ 46,485,000
Net Original Issue Premium	622,844
Available from Series 2007 Bond Fund	1,625,532
	<u>\$ 48,733,376</u>
<u>Uses</u>	
Series 2007 Bonds Refunding Costs	\$ 46,747,985
ANRC Lease Refunding Costs	337,665
Water Supply Prepayment Costs	720,727
Reserve Policy Premium	29,333
Bond Insurance Premium	64,680
Costs of Issuance	135,711
Underwriter's Discount	697,275
	<u>\$ 48,733,376</u>

SUPPLEMENTARY INFORMATION

BERRY & ASSOCIATES, P.A.

Certified Public Accountants

American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

Page 12

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*

Independent Auditor's Report

Board of Directors

**Benton/Washington Regional Public Water Authority of the State of Arkansas
Rogers, Arkansas**

We have audited, 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, the financial statements of the Benton/Washington Regional Public Water Authority of the State of Arkansas, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Benton/Washington Regional Public Water Authority of the State of Arkansas's financial statements and have issued our report thereon dated April 25, 2019.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 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 in 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

To the Board of Directors of
Benton/Washington Regional Public Water Authority of the State of Arkansas
Rogers, Arkansas

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.

Berry & Associates

Berry & Associates, P.A.
Little Rock, Arkansas
April 25, 2019

**BENTON/WASHINGTON REGIONAL PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
OPERATING REVENUES				
Water revenue	\$ 6,912,000	\$ 6,912,000	\$ 8,691,496	\$ 1,779,496
OPERATING EXPENSES				
Water purchases	-	-	6,468	(6,468)
Payroll expenses	1,591,578	1,591,578	1,245,468	346,110
Advertising	-	-	2,611	(2,611)
Chemicals	354,200	354,200	314,880	39,320
Contract labor	-	-	19,730	(19,730)
Depreciation	-	-	2,311,881	(2,311,881)
Amortization	-	-	55,013	(55,013)
Office supplies	32,050	32,050	28,045	4,005
Repairs and maintenance	223,000	223,000	310,904	(87,904)
Supplies and tools	-	-	7,276	(7,276)
Auto expense	62,500	62,500	62,770	(270)
Dues and subscriptions	25,000	25,000	26,927	(1,927)
Insurance	95,000	95,000	369,632	(274,632)
Other operating expenses	22,400	22,400	72,239	(49,839)
Professional fees	31,500	31,500	33,530	(2,030)
Telephone	-	-	12,924	(12,924)
Travel	7,500	7,500	6,315	1,185
Uniforms	-	-	8,277	(8,277)
Utilities	569,800	569,800	587,827	(18,027)
Total Operating Expenses	3,014,528	3,014,528	5,482,717	(2,468,189)
OPERATING INCOME	3,897,472	3,897,472	3,208,779	(688,693)
NON-OPERATING REVENUES (EXPENSES)				
Interest income	5,000	5,000	45,552	40,552
Interest expense	(3,754,133)	(3,754,133)	(1,941,285)	1,812,848
Gain (Loss) on disposal of fixed asset	-	-	1,700	1,700
Other income	-	-	14,701	14,701
Net Non-Operating Revenues (Expenses)	(3,749,133)	(3,749,133)	(1,879,332)	1,869,801
CHANGE IN NET POSITION	148,339	148,339	1,329,447	1,181,108
NET POSITION - BEGINNING OF YEAR	13,297,483	13,297,483	13,297,483	-
NET POSITION - END OF YEAR	\$ 13,445,822	\$ 13,445,822	\$ 14,626,930	\$ 1,181,108

APPENDIX B



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

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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