

NEW ISSUE
Book-Entry Only

RATING: Moody's: "Aa3"
See "BOND RATING."

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Series 2015 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Series 2015 Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. Interest on the Series 2015 Bonds is exempt from income taxation by the State of Missouri. See "TAX MATTERS."

\$30,070,000

**State Environmental Improvement and Energy Resources Authority
(State of Missouri)**

**Water Facilities Revenue Bonds
(Tri-County Water Authority Project)
Series 2015**

Dated: Date of Delivery

Principal Amounts, Interest Rates, Prices, Maturities and CUSIPs as shown on inside front cover

The Series 2015 Bonds are issuable only as fully registered bonds, without coupons, in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Principal of the Series 2015 Bonds will be payable on each January 1 in the years shown on the inside front cover. Interest on the Series 2015 Bonds will be payable on each January 1 and July 1, beginning on January 1, 2016.

The Series 2015 Bonds are subject to redemption prior to maturity as described herein.

The Series 2015 Bonds are subject to certain risks. See "BONDOWNERS' RISKS."

The Series 2015 Bonds and the interest thereon are limited obligations of the Authority payable solely out of certain payments received under the Loan Agreement described herein between the Authority and Tri-County Water Authority (the "Corporation") and other funds held under the Indenture described herein. The Corporation's obligations under the Loan Agreement are subordinate to its obligations related to the Outstanding Senior Bonds (defined herein). **The Series 2015 Bonds do not constitute a debt or liability of the State of Missouri or any political subdivision thereof, and neither the State of Missouri nor any political subdivision thereof shall be liable on the Series 2015 Bonds. The issuance of the Series 2015 Bonds shall not, directly, indirectly or contingently, obligate the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. The general faith and credit of the State of Missouri and the Authority are not pledged to the payment of the principal of, premium, if any, or interest on the Series 2015 Bonds. The Authority is not obligated to pay the principal of, premium, if any, or interest on the Series 2015 Bonds, except from the revenues and receipts pledged therefor under the Indenture. The Authority has no taxing power.**

The Series 2015 Bonds are being offered by the Underwriter when, as and if issued by the Authority and accepted by the Underwriter, subject to the approval of legality thereof by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by Lewis Rice LLC, St. Louis, Missouri, and for the Corporation by Crouch, Spangler & Douglas, Harrisonville, Missouri. Certain legal matters relating to this Official Statement will be passed upon by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Series 2015 Bonds will be available for delivery at The Depository Trust Company on or about July 8, 2015.

PiperJaffray®

The date of this Official Statement is June 18, 2015.

\$30,070,000
State Environmental Improvement and Energy Resources Authority
(State of Missouri)
Water Facilities Revenue Bonds
(Tri-County Water Authority Project)
Series 2015

MATURITY SCHEDULE

<u>Maturity January 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP¹</u>	<u>Maturity January 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP</u>
2019	\$765,000	5.00%	111.753	60635E FV3	2026	\$1,020,000	5.00%	116.217 ⁺	60635E GC4
2020	805,000	3.00	105.187	60635E FW1	2027	1,070,000	5.00	115.237 ⁺	60635E GD2
2021	830,000	3.00	104.688	60635E FX9	2028	1,120,000	5.00	114.355 ⁺	60635E GE0
2022	855,000	4.00	109.864	60635E FY7	2029	1,180,000	5.00	113.742 ⁺	60635E GF7
2023	890,000	4.00	109.889	60635E FZ4	2030	1,240,000	5.00	113.133 ⁺	60635E GG5
2024	925,000	5.00	117.494	60635E GA8	2031	1,300,000	5.00	112.614 ⁺	60635E GH3
2025	970,000	5.00	118.115	60635E GB6					

\$7,390,000 4.00% Term Bond Due January 1, 2036 Price: 98.759% CUSIP[†]: 60635E GJ9

\$9,710,000 5.00% Term Bond Due January 1, 2040 Price: 109.310⁺% CUSIP[†]: 60635E GK6

¹ CUSIP Numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are included solely for the convenience of the bondholders. Neither the Authority, the Corporation, nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

⁺ Priced to call January 1, 2025, the first optional call date.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Authority, the Corporation, or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact. The information set forth herein has been obtained from the Authority, the Corporation, and other sources believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority or the Underwriter. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the Corporation since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2015 BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2015 BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CORPORATION AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

\$30,070,000

**State Environmental and Energy Resources Authority
(State of Missouri)
Water Facilities Revenue Bonds
(Tri-County Water Authority Project)
Series 2015**

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and the documents summarized or described herein. The offering of Series 2015 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, including the cover page, is provided for the purpose of setting forth information relating to (i) the State Environmental Improvement and Energy Resources Authority, a body corporate and politic and a governmental instrumentality of the State of Missouri (the “**Authority**”), (ii) the sale of the Authority’s Water Facilities Revenue Bonds (Tri-County Water Authority Project) Series 2015 in the aggregate principal amount of \$30,070,000 (the “**Series 2015 Bonds**”), (iii) Tri-County Water Authority, a Missouri nonprofit corporation (the “**Corporation**”), and the Participating Members described below, and (iv) the Corporation’s acquisition, construction, extension and improvement of the Corporation’s facilities for the furnishing of water for community purposes (the “**Project**”). A more detailed description of the Project is contained under “**PLAN OF FINANCE – The Project**” in this Official Statement.

The Authority

The Authority is a body corporate and politic and a governmental instrumentality of the State of Missouri duly organized and existing under the Constitution and laws of the State of Missouri, particularly, Sections 260.005 through 260.125, inclusive, of the Revised Statutes of Missouri, as amended, and Appendix B(1) thereto (the “**Act**”). The Authority is authorized under the Act to issue and secure the Series 2015 Bonds as herein described.

The Corporation and the Participating Members

Tri-County Water Authority is a Missouri nonprofit corporation that provides potable water to various public water supply districts and municipalities that have entered into wholesale purchase contracts with the Corporation. The 15 public water supply districts and municipalities that are members of the Corporation and have entered into water purchase contracts with the Corporation are referred to collectively as the “**Participating Members**” and individually as a “**Participating Member**.”

The Corporation owns, operates and maintains four vertical wells and one horizontal collector well and the surrounding 330-acre well field, a 10.5-million-gallon-per-day (GPD) water treatment plant, transmission lines, pump stations, and storage tanks to serve its Participating Members. In 2012, the Corporation purchased 500 acres that will serve as a well field and land for the application of lime residual treatment byproduct. The two well fields, water treatment plant, transmission lines, pump stations and storage

tanks are collectively referred to as the “*Facility*.” See “**PLAN OF FINANCING**” for a discussion of the planned improvements to the recently-acquired property.

The Participating Members presently consist of nine public water supply districts and six municipalities, each of which has entered into a water purchase contract (the “*Water Purchase Contracts*”) to purchase wholesale water from the Corporation for resale to each Participating Member’s water customers.

The Series 2015 Bonds

The Series 2015 Bonds are being issued pursuant to the Act and an Indenture of Trust dated as of July 1, 2015 (the “*Indenture*”), between the Authority and UMB Bank, N.A., Kansas City, Missouri, as trustee (the “*Trustee*”), for the purpose of providing funds to make a loan to the Corporation, pursuant to a Loan Agreement dated as of July 1, 2015 (the “*Loan Agreement*”), between the Authority and the Corporation. The Series 2015 Bond proceeds will be used, together with other available funds of the Corporation, to provide funds to (1) finance the Project and (2) pay the costs of issuance of the Series 2015 Bonds. A description of the Series 2015 Bonds is contained in this Official Statement under “**THE SERIES 2015 BONDS.**” All references to the Series 2015 Bonds are qualified in their entirety by the definitive forms thereof and the provisions with respect thereto included in the Indenture and the Loan Agreement. A description of the estimated sources and uses of the proceeds of the Series 2015 Bonds and a detailed description of the Project is contained in this Official Statement under “**PLAN OF FINANCE.**”

The Indenture provides for the future issuance of additional bonds (“*Additional Bonds*”) which, if issued, would rank on a parity with the Series 2015 Bonds and any other bonds then outstanding under the Indenture. See “**ADDITIONAL BONDS, ADDITIONAL NOTES AND ADDITIONAL OBLIGATIONS.**” The Series 2015 Bonds and any future Additional Bonds issued under the Indenture are referred to collectively as the “*Bonds*.”

Security for the Series 2015 Bonds

The Series 2015 Bonds and the interest thereon are special, limited obligations of the Authority, payable by the Authority solely from certain payments to be made by the Corporation under the Loan Agreement and certain other funds held by the Trustee under the Indenture and not from any other fund or source of the Authority. The Series 2015 Bonds are secured by the Indenture and the Loan Agreement and the Mortgage described herein. The Corporation’s obligation to repay the loan made to it under the Loan Agreement is evidenced by the Series 2015 Note. Payments under the Loan Agreement and the Series 2015 Note are designed to be sufficient, together with other funds available for such purpose, to pay when due the principal of, premium, if any, and interest on the Series 2015 Bonds. The revenues of the Corporation that will be used to make payments under the Loan Agreement and the Series 2015 Note are derived from rates and charges received by the Corporation from the sale of wholesale water by the Corporation to its Participating Members. The Corporation’s obligations under the Loan Agreement and the Series 2015 Note are subordinate to its obligations under the loan agreement and the note related to the Outstanding Senior Bonds (defined below).

In conjunction with the issuance of the Outstanding Bonds, the Corporation granted mortgages on certain real property and a security interest in certain personal property (the “*Personal Property*”) (with certain exceptions as described in such mortgages), to secure the payment of the respective notes related to the Outstanding Bonds (defined herein), and any additional bonds or obligations issued pursuant to the terms thereof, including the Series 2015 Bonds, and the performance of the Corporation’s obligations under the related loan agreements. A mortgage on real property constituting the recently-acquired 500-acre well field (together with the real property previously secured by the prior mortgages, the “*Real Property*”) and a security interest in the Personal Property (with certain exceptions as described in such mortgage), will be granted by the Corporation to the Authority to secure the payment of the Series 2015 Note and the performance of the Corporation’s obligations under the Loan Agreement. Accordingly, the Corporation has granted to the

Authority mortgages and security interests on the Real Property and the Personal Property (collectively, the ***“Mortgage”***) to secure its respective obligations under the Series 2015 Bonds and the Outstanding Bonds, subject to relative priority among the Outstanding Senior Bonds, the Outstanding Parity Bonds (defined below) and the Series 2015 Bonds discussed below under **“SECURITY FOR THE SERIES 2015 BONDS – Outstanding Senior Bonds.”** The Real Property subject to the Mortgage consists of the Corporation’s treatment plant and corporate offices, the well fields and wells and certain water storage facilities, including the new 500-acre well field and the improvements to be constructed thereon with the proceeds of the SRF Loan (defined below). The Corporation’s other storage facilities and water transmission lines are not subject to the Mortgage. Pursuant to the Indenture, the Authority will assign to the Trustee, for the benefit and security of the registered owners of the Series 2015 Bonds, substantially all of the rights of the Authority in the Loan Agreement, the Series 2015 Note and the Mortgage, including all Loan Payments payable thereunder. The Mortgage also secures the Corporation’s obligations with respect to the Outstanding Bonds, subject to the priority of the Outstanding Senior Bonds.

The Series 2015 Bonds will not constitute a debt or liability of the Authority, the State or of any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation and will not constitute a pledge of the faith and credit of the State or of any political subdivision thereof, including the Authority. The issuance of the Series 2015 Bonds will not, directly, indirectly, or contingently, obligate the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. The Authority has no taxing power. See “SECURITY FOR THE SERIES 2015 BONDS.”

Outstanding Obligations

The Corporation is presently obligated to make payments on the following bonds and notes:

- State Environmental Improvement and Energy Resources Authority Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs – Master Trust), Series 2001C (the ***“Series 2001C Bonds”***) and the related promissory note dated November 1, 2001 from the Corporation to the Authority in the original principal amount of \$2,370,000, of which \$1,050,000 is currently outstanding.
- State Environmental Improvement and Energy Resources Authority Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs), Series 2005A (the ***“Series 2005A Bonds”***) and the related promissory note dated May 1, 2005 from the Corporation to the Authority in the original principal amount of \$23,000,000, of which \$15,095,000 is currently outstanding.
- State Environmental Improvement and Energy Resources Authority Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs), Series 2005C (the ***“Series 2005C Bonds”***) and the related promissory note dated November 30, 2005 from the Corporation to the Authority in the original principal amount of \$17,625,000, of which \$11,830,000 is currently outstanding.
- State Environmental Improvement and Energy Resources Authority Water Facilities Refunding Revenue Bonds (Tri-County Water Authority Project), Series 2010 (the ***“Series 2010 Bonds”***) and the related promissory note dated June 1, 2010 from the Corporation to the Authority in the original principal amount of \$10,525,000, of which \$6,950,000 is currently outstanding.

The Series 2001C Bonds, Series 2005A Bonds and the Series 2005C Bonds are referred to as the ***“Outstanding Parity Bonds”*** and the Series 2010 Bonds are referred to in this Official Statement as the ***“Outstanding Senior Bonds”*** (together with the Outstanding Parity Bonds, the ***“Outstanding Bonds”***).

The Outstanding Senior Bonds are senior and prior to the Series 2015 Bonds and the Outstanding Parity Bonds, so that if at any time the Corporation is in default in paying either interest on or principal of the Outstanding Senior Bonds or if the Corporation is in default in making any other payments under the provisions thereof, the Corporation is not required nor permitted to make payments of either principal of or interest on the Series 2015 Bonds or the Outstanding Parity Bonds until said default or defaults are cured. See **“SECURITY FOR THE SERIES 2015 BONDS – Outstanding Senior Bonds.”**

The Outstanding Parity Bonds are secured by a reserve fund established by the Missouri Department of Natural Resources (the **“Outstanding Parity Bonds Reserve Fund”**), in the amount of \$20,695,004 as of December 31, 2014. The Outstanding Parity Bonds Reserve Fund and the earnings thereon are security solely for the payment of the Outstanding Parity Bonds. The earnings on the Outstanding Parity Bonds Reserve Fund are intended to provide a subsidy to the Corporation equal to approximately 70% of the interest expense on the Outstanding Parity Bonds. The Outstanding Parity Bonds Reserve Fund is reduced annually as the principal amount of the Outstanding Parity Bonds is paid by the Corporation. The reductions in the reserve are returned to the Missouri Department of Natural Resources, which initially deposited the amounts in that reserve fund.

Financial Statements

Audited financial statements of the Corporation as of and for the years ended December 31, 2013 and 2014, are included as *Appendix A* to this Official Statement. The financial statements have been audited by Troutt, Beeman & Co., P.C., Harrisonville, Missouri, independent certified public accountants, to the extent and for the periods indicated in their report, which is also included in *Appendix A*. The financial statements of the Corporation were prepared in conformity with the accounting practices utilized by the water utility industry, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America applicable to nonprofit organizations.

Certain unaudited summary financial information for the four Participating Members who were the largest purchasers of water from the Corporation in 2014 and Jackson PWSD No. 1 is included under **“THE PARTICIPATING MEMBERS - Summary Financial Data.”** The audited financial statements of each of those Participating Members for their most recent fiscal year end are available from the Corporation upon the request of any prospective purchaser of the Series 2015 Bonds in the initial offering thereof.

Continuing Disclosure

The Corporation will undertake to provide certain annual financial information and notices of the occurrence of certain material events. A description of this undertaking is set forth in this Official Statement under **“CONTINUING DISCLOSURE.”**

Bondowners’ Risks

Payment of the principal of and interest on the Series 2015 Bonds is dependent upon revenues to be derived from the operations of the Corporation. Certain risks are inherent in the production of such revenues. See **“RISK FACTORS”** for a discussion of certain risks.

Definitions and Summaries of Legal Documents

Definitions of certain words and terms used in this Official Statement are set forth in *Appendix B* of this Official Statement. Summaries of the Indenture, the Loan Agreement and the Mortgage are included in this Official Statement in *Appendix B*. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to the specified documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which may be viewed at the office of Piper Jaffray & Co. (the **“Underwriter”**), at 11635 Rosewood Street, Leawood, Kansas 66211 (913) 345-3393, or will be provided to any prospective purchaser requesting the same.

THE AUTHORITY

General

The Authority is a body corporate and politic and a governmental instrumentality of the State of Missouri organized and existing under the laws of the State. Pursuant to the Act, the Authority is authorized to issue the Series 2015 Bonds and to provide for the security of the Series 2015 Bonds as herein described. To accomplish such actions the Authority is authorized to enter into the Indenture, the Loan Agreement and the Mortgage.

The purpose of the Authority is to provide financial assistance for the conservation of the air, land and water resources of the State by the prevention or reduction of pollution and by proper methods of disposal of solid waste or sewage and to provide for the furnishing of water facilities. The Act confers upon the Authority the power to acquire, construct, improve and finance facilities for the reduction of pollution or disposal of solid waste or sewage and to provide for the furnishing of water facilities, and to issue bonds or notes to pay the costs of such facilities. The Authority also has general powers which include the power to make and execute contracts and other instruments necessary or convenient to carry out its purposes. The Authority has no taxing power.

Membership of the Authority

The current members of the Authority, their titles and expiration dates of their terms of office are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
William “Andy” Dalton	Chairman	January 22, 2012 ¹
Deron L. Cherry	Vice Chairman, Treasurer and Assistant Secretary	January 22, 2007 ¹
LaRee DeFreece	Secretary	January 1, 2011 ¹

¹ Members continue to serve until reappointed or replaced as provided by Missouri law.

There are currently two vacancies on the Authority.

Karen L. Massey serves as Director of the Authority. The principal office of the Authority is located at 425 Madison, 2nd Floor, P.O. Box 744, Jefferson City, Missouri 65102. The Authority’s telephone number is: (573) 751-4919.

Other Indebtedness of the Authority

The Authority has previously sold and delivered other bonds and notes secured by instruments separate and apart from those securing the Series 2015 Bonds. The holders and owners of such bonds and notes have no claim on assets, funds or revenues of the Authority held under the Indenture pursuant to which the Series 2015 Bonds are issued and the owners of the Series 2015 Bonds will have no claim on assets, funds or revenues of the Authority securing other bonds and notes.

With respect to additional indebtedness of the Authority, the Authority intends to enter into separate agreements in the future with other entities for the purpose of providing financing for other eligible projects and programs. Bonds which may be issued by the Authority for such other entities in the future will be created under separate and distinct bond indentures or resolutions and will be secured by instruments, properties and revenues separate from those securing the Series 2015 Bonds.

PLAN OF FINANCE

General

The Authority will loan the proceeds of the Series 2015 Bonds to the Corporation pursuant to the Loan Agreement. The Corporation will use the proceeds of the Series 2015 Bonds, together with other available funds of the Corporation, including the proceeds of the SRF Loan (defined below), to (1) finance the Project and (2) pay the costs of issuance of the Series 2015 Bonds. Concurrently with the issuance and sale of the Series 2015 Bonds, the Corporation will issue and deliver to the Trustee its Series 2015 Note, which will bear interest at a rate and contain other payment terms and conditions equivalent to those contained in the Series 2015 Bonds. It is intended that the Corporation's payments required under the Series 2015 Note and under the Loan Agreement will be sufficient to pay when due the principal of and interest on, and to redeem or pay at maturity, the Series 2015 Bonds. The Authority's interest in the Series 2015 Note and the Loan Agreement will be pledged and assigned to the Trustee under the Indenture pursuant to which the Series 2015 Bonds will be issued, subject to certain rights of indemnification and payments solely for the benefit of the Authority. The Authority's interest in the Series 2015 Note and the Loan Agreement so assigned will constitute security for the payment of the Series 2015 Bonds and the interest and the redemption premium, if any, thereon.

All payments by the Corporation on the Series 2015 Note of principal, interest and the premium, if any, are required to be made prior to or on the dates when the corresponding payments are required to be made on the Series 2015 Bonds.

The Project

The Project will consist of (1) the construction of up to four vertical wells on the recently-acquired 500-acre well field, (2) the construction of two water treatment process trains with a combined capacity of approximately 10 million gallons per day at the existing treatment plant site, (3) the installation of approximately 160,000 linear feet of 16-inch water main from Grain Valley, Missouri to Grandview, Missouri and (4) the construction of four booster pump stations. The Corporation expects to finance the construction of the four vertical wells and the water treatment process trains with the proceeds of an approximately \$33 million loan from Missouri Department of Natural Resources State Revolving Fund (the "**SRF Loan**") expected to close in 2015. Proceeds of the Series 2015 Bonds will be used to pay all or a portion of the costs associated with the installation of water main to Grandview and the construction of the Booster Pump stations, both of which are designed to allow the Corporation to serve Public Water Supply District No. 1 of Jackson County, Missouri ("Jackson PWSD No. 1") pursuant to its Water Purchase Contract entered into in March 2015. The Corporation expects that it may need to incur additional indebtedness of approximately \$2 million in 2016 to finance the completion of the installation of water main to serve Jackson PWSD No. 1 and the construction of the Booster Pump stations. Upon completion of the Project, the Corporation expects to have a finished water capacity of approximately 20.5 million gallons per day.

Estimated Sources and Uses of Funds

The following sets forth the estimated sources and uses of the proceeds of the Series 2015 Bonds and:

Sources of Funds:

Series 2015 Bond proceeds	\$30,070,000
Plus net original issue premium	<u>2,470,964</u>
Total	<u>32,540,964</u>

Uses of Funds:

Deposit to Project Fund	32,000,000
Costs of issuance ⁽¹⁾	<u>540,964</u>
Total	<u>32,540,964</u>

⁽¹⁾ Includes the Underwriter's discount and other costs of issuance of the Series 2015 Bonds.

THE SERIES 2015 BONDS

The following is a summary of certain terms and provisions of the Series 2015 Bonds. Reference is hereby made to the Series 2015 Bonds and the provisions with respect thereto in the Indenture and the Loan Agreement for the detailed terms and provisions thereof.

General Terms

The Series 2015 Bonds are dated the date of delivery, will bear interest from the date thereof or from the most recent interest payment date to which interest has been paid at the rates per annum set forth on the inside cover page, payable semiannually on January 1 and July 1 of each year, beginning on January 1, 2016, and will mature on January 1, in the years and in the principal amounts shown on the inside cover page. The Series 2015 Bonds are being issued as fully registered bonds in the denominations of \$5,000 and any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchases of beneficial interests in the Series 2015 Bonds will be made in book-entry only form (as described below under **"Book-Entry-Only System"**), in the denomination of \$5,000 or any integral multiple thereof. Purchasers of the Series 2015 Bonds will not receive certificates representing their interests in the Series 2015 Bonds purchased.

The principal of and redemption premium, if any, on the Series 2015 Bonds are payable at the principal corporate trust office of the Trustee. The interest on the Series 2015 Bonds is payable (a) by check or draft mailed by the Trustee to the persons who are the registered owners of the Series 2015 Bonds as of the close of business on the 15th day of the month preceding the respective interest payment dates, as shown on the bond registration books maintained by the Trustee, or (b) at the expense of the registered owner, by electronic transfer of immediately available funds at the written request of any registered owner of \$500,000 or more in aggregate principal amount of Series 2015 Bonds, if such written notice specifying the wire transfer instructions is provided to the Trustee not less than 10 days prior to the Record Date. If the specified date for any payment on the Series 2015 Bonds is a date other than a business day, such payment may be made on the next business day without additional interest and with the same force and effect as if made on the specified date for such payments.

So long as any of the Series 2015 Bonds are in book-entry form, the principal, redemption premium, if any, and interest on such Series 2015 Bonds are payable by check or draft mailed, or wire transfer, to Cede &

Co. as registered owner thereof and will be redistributed by DTC and the Participants as described below under **“Book-Entry-Only System.”**

Book-Entry-Only System

The Depository Trust Company (“**DTC**”), New York, NY, will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will 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 2015 Bond certificate will be issued for each maturity of the Series 2015 Bonds, each in the aggregate principal amount of such maturity.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts.

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

Purchases of the Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2015 Bond (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 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 2015 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 2015 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2015 Bond documents. For example, Beneficial Owners of Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2015 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015 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 Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Series 2015 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 the 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 nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2015 Bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the Authority, the Corporation and the Underwriter take no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Redemption Prior to Maturity

Optional Redemption. The Series 2015 Bonds maturing on January 1, 2026 and thereafter may be redeemed at the option of the Authority, upon instructions from the Corporation, on or after January 1, 2025, in whole or in part at any time, at a redemption price equal to 100% of the principal amount of the Series 2015 Bonds called for redemption, plus accrued interest to the redemption date.

Extraordinary Optional Redemption. The Series 2015 Bonds are subject to redemption and payment prior to the stated maturity thereof, at the option of the Authority, upon written direction from the Corporation, in whole or in part at any time, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the redemption date, without premium, upon the occurrence of any of the following events:

(1) all or a substantial portion of the Facility is damaged or destroyed by fire or other casualty, or title to, or the temporary use of, all or a substantial portion of such Facility is condemned or taken for any public or quasi-public use by any authority exercising the power of eminent domain (other than a Participating Member) or title thereto is found to be deficient, to such extent that in the determination of the Corporation (A) the Facility cannot be reasonably restored or replaced to the condition thereof preceding such event, or (B) the Corporation is thereby prevented from carrying on its normal operations of such Facility, or (C) the cost of restoration or replacement thereof would exceed the Net Proceeds of any casualty insurance, title insurance or condemnation awards with respect thereto; or

(2) as a result of any changes in the Constitution of the State of Missouri or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final direction, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Corporation in good faith, the Indenture, the Loan Agreement or the Mortgage becomes void or unenforceable or impossible of performance; or

(3) if (A) the Corporation determines in good faith that continued operation of the Facility, or any substantial part thereof, is not financially feasible or is otherwise disadvantageous to the Corporation; (B) as a result thereof, the Corporation sells, leases or otherwise disposes of to a person or entity unrelated to the Corporation, or changes or allows a change in the use of, all of such Facility or any substantial part thereof; and (C) there is delivered to the Authority and the Trustee an opinion of Bond Counsel addressed to the Authority and the Trustee to the effect that, unless the Series 2015 Bonds or a specified part thereof are redeemed and retired either prior to or concurrently with such sale, lease or other disposition, or change in use, or on a subsequent date prior to maturity, Bond Counsel is unable to render an unqualified opinion that such sale, lease or other disposition, or change in use, of all or such Facility will not adversely affect the excludability from gross income, for federal and Missouri income tax purposes, of the interest on the Series 2015 Bonds.

Mandatory Sinking Fund Redemption. The Series 2015 Bonds maturing January 1, 2036 and January 1, 2040 (the “***Term Bonds***”), are subject to mandatory sinking fund redemption and payment prior to maturity on January 1 in each of the years set forth below, at **100%** of the principal amount thereof plus accrued interest to the redemption date, without premium:

Term Bonds Maturing on January 1, 2036

<u>Year</u>	<u>Principal Amount</u>
2032	\$1,365,000
2033	1,420,000
2034	1,475,000
2035	1,535,000
2036*	1,595,000

* Final Maturity

Term Bonds Maturing on January 1, 2040

<u>Year</u>	<u>Principal Amount</u>
2037	\$1,660,000
2038	2,555,000
2039	2,680,000
2040*	2,815,000

* Final Maturity

Selection of Bonds to be Redeemed

The Series 2015 Bonds will be redeemed only in principal amounts equal to \$5,000 or any integral multiple thereof and such that any Bond redeemed in part shall, after such redemption, be in an Authorized Denomination of the Series 2015 Bonds. When less than all of the Outstanding Bonds of any series are to be redeemed and paid prior to maturity, such Bonds shall be redeemed from the maturities selected by the Corporation and Bonds of less than a full maturity are to be selected by the Trustee in principal amounts in such equitable manner as the Trustee may determine, such that any Bond redeemed in part shall, after such redemption, be in an Authorized Denomination of the Series 2015 Bonds. The Trustee may, for purposes of selecting Bonds for redemption, treat all registered Bonds of the same maturity held by or for the benefit of an Owner as one Bond owned by such Owner and, upon such redemption and without charge to the Owner thereof, shall exchange a new Bond or Bonds for the unredeemed portion of the principal amount of all such Bonds in an amount equal to such Authorized Denominations as such Owner may direct.

If any Bond selected for redemption is to be redeemed only in part, then upon notice of intention to redeem such Bond, the Owner of such fully registered Bond or his attorney or legal representative shall forthwith present and surrender such Bond to the Trustee (1) for payment of the redemption price (including the premium, if any, and interest to the date fixed for redemption) of the principal amount called for redemption, and (2) for exchange, without charge to the Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such fully registered Bond in an amount equal to any Authorized Denomination of the Series 2015 Bonds. If the Owner of any such fully registered Bond shall fail to present such Bond to the trustee for payment and exchange as aforesaid, said Bond shall, nevertheless, become due and payable on the redemption date to the extent of the principal amount called for redemption (and to that extent only).

Notice and Effect of Call for Redemption

Unless waived by any Owner of Bonds to be redeemed, official notice of redemption will be given by the Trustee on behalf of the Authority by mailing a redemption notice by first class mail at least 30 days prior to the date fixed for redemption to each Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register as of the date of the notice. Official notice of redemption having been given as aforesaid, the Series 2015 Bonds or portions of Bonds so to be redeemed shall, notwithstanding any defect in such notice or the failure of any Owner to receive same, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Authority defaults in the payment of the redemption price), such Bonds or portion of Bonds shall cease to bear interest.

So long as DTC is effecting book-entry transfers of the Series 2015 Bonds, the Trustee will provide the notices specified above to DTC. It is expected that DTC will, in turn, notify the DTC Participants and that the DTC Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a DTC Participant, or failure on the part of a nominee of a Beneficial Owner of a Series 2015 Bond (having been mailed notice from the Trustee, a DTC Participant or otherwise) to notify the Beneficial Owner of the Series 2015 Bond so affected, shall not affect the validity of the redemption of such Series 2015 Bond.

Registration, Transfer and Exchange

The Series 2015 Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiple thereof. The Series 2015 Bonds will be issued in fully registered form, and each Series 2015 Bond will be registered in the name of the owner thereof on the registration books maintained by the Trustee. The Series 2015 Bonds are transferable by the registered holder thereof or by such holder's attorney duly authorized in writing upon presentation thereof at the principal corporate trust office of the Trustee. Any Series 2015 Bond may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Series 2015 Bonds of the same maturity of other authorized denominations. The Trustee and the Authority may charge a fee covering taxes and other governmental charges in connection with any exchange, change in registration or transfer of any Series 2015 Bond. The Trustee shall not be required to register the transfer of or exchange any Series 2015 Bond that has been called or selected for call for redemption or during the period of fifteen days next preceding the first mailing of notice of redemption. The foregoing provisions for the registration, transfer and exchange of the Series 2015 Bonds will not be applicable to purchasers of the Series 2015 Bonds so long as the Series 2015 Bonds are subject to the DTC or other book-entry only system.

ADDITIONAL BONDS, ADDITIONAL NOTES AND ADDITIONAL OBLIGATIONS

The Authority may, at any time upon compliance with certain terms and conditions set forth in the Indenture and the Loan Agreement, issue Additional Bonds for certain purposes permitted under the Indenture. Pursuant to the Indenture, the Authority may at some time in the future issue Additional Bonds on a parity with the Bonds in order to provide for any Additional Project, refinancing outstanding mortgages or advances issued by the Corporation including Additional Obligations, repaying any series of Bonds if prepaid in full, obtaining funds for advance refunding the Bonds of any series outstanding regardless of whether such Bonds may be prepaid in full, or any other purpose permitted under the Act. Additional Bonds shall be equally and ratably secured by the Indenture on a parity with the Series 2015 Bonds. Concurrently with the issuance of any such Additional Bonds, the Corporation shall deliver to the Authority an Additional Note obligating the Corporation to make payments of principal and interest thereon in amounts and at times sufficient to provide for the timely payment of the principal of, premium, if any, and interest on such Additional Bonds. Any such Additional Note will be secured on a parity basis with the Note and any other Additional Notes. See **“DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS – SUMMARY OF THE INDENTURE – Authorization of Additional Bonds”** and **“DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS – SUMMARY OF THE LOAN AGREEMENT – Conditions to Issuance of Additional Notes”** in *Appendix B*.

The Corporation may also incur Additional Indebtedness and, in some circumstances, pledge property of the Corporation to secure the repayment thereof. The Loan Agreement limits the amount of the Additional Indebtedness which the Corporation may incur and the type and amount of additional property that may be pledged or mortgaged to secure Additional Indebtedness. See **“DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS – SUMMARY OF THE LOAN AGREEMENT – Restrictions on Incurrence of Additional Indebtedness”** in *Appendix B*.

The Corporation may incur Indebtedness secured on a parity with the Notes, which may be issued to any Person including Persons other than the Authority (**“Additional Obligations”**) under certain conditions provided in the Loan Agreement. Such Additional Obligations shall have a security interest in all of the Corporation’s Unrestricted Receivables, Revenues and the Water Purchase Contracts, and a mortgage lien on and security interest in the Mortgaged Property under the Mortgage, standing on a parity with the security interest granted to the Authority by the Loan Agreement and the mortgage lien and security interest granted by the Mortgage. See **“DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS – SUMMARY OF THE LOAN AGREEMENT – Additional Obligations”** in *Appendix B*.

SECURITY FOR THE SERIES 2015 BONDS

General

The Series 2015 Bonds are limited obligations of the Authority payable solely from the revenues of the Authority derived from payments by the Corporation under the Loan Agreement and from other moneys, if any, held by the Trustee under the Indenture. The Authority has assigned to the Trustee for the benefit of the Bondowners the Authority’s rights under the Loan Agreement (but excluding the Authority’s rights to payment of fees and expenses and indemnification, and any payment to be made to meet the rebate requirements of the Internal Revenue Code of 1986, as amended) and the Series 2015 Note evidencing the loan from the Authority to the Corporation. The loan is secured by a mortgage of, a security interest in and a pledge of the Mortgaged Property.

The Series 2015 Bonds shall never constitute a debt or liability of the State of Missouri or of any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation and will not constitute a pledge of the full faith and credit of the State but shall be payable solely from the funds provided for in the Loan Agreement and in the Indenture. The issuance of the Series 2015 Bonds will

not, directly, indirectly or contingently, obligate the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment. The State will not in any event be liable for the payment of the principal of, premium, if any, or interest on the Series 2015 Bonds or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the Authority. No breach by the Authority of any such pledge, mortgage, obligation or agreement may impose any liability, pecuniary or otherwise, upon the State or any charge upon its general credit or its taxing power.

Mortgage and Assignment of Unrestricted Receivables and Water Purchase Contracts

The Corporation has granted or will grant to the Authority a mortgage and security interest on the Real Property and the Personal Property to secure its respective obligations under the Series 2015 Bonds and the Outstanding Bonds, subject to relative priority among the Outstanding Senior Bonds, the Outstanding Parity Bonds and the Series 2015 Bonds discussed below under “ – **Outstanding Senior Bonds.**”

Pursuant to the Loan Agreement, the Corporation has granted to the Authority a security interest in all Unrestricted Receivables of the Corporation and all of its rights under the Water Purchase Contracts presently in effect or hereafter executed. See “**THE WATER PURCHASE CONTRACTS.**” So long as the Corporation makes when due and payable all Loan Payments and Additional Payments under the Loan Agreement and all payments of principal of, premium, if any, and interest on the Additional Obligations, the Corporation will be entitled to utilize its Unrestricted Receivables and the revenues and receipts from the Water Purchase Contracts for its proper corporate purposes. See “**DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS – Definitions – Unrestricted Receivables**” and “**Revenues**” in *Appendix B*.

Outstanding Senior Bonds

The Outstanding Senior Bonds are currently outstanding in the principal amount of \$6,950,000. The Series 2015 Bonds and the Outstanding Parity Bonds are junior and subordinate to the Outstanding Senior Bonds, so that if at any time the Corporation is in default in paying either interest on or principal of the Outstanding Senior Bonds or if the Corporation is in default in making any other payments under the provisions thereof, the Corporation is not required nor permitted to make payments of either principal of or interest on the Series 2015 Bonds or the Outstanding Parity Bonds until said default or defaults be cured.

In the event that the Series 2015 Bonds or the Outstanding Parity Bonds are declared or become due and payable because of the occurrence of any event of default pursuant to the terms of the Outstanding Parity Bonds, the Series 2015 Bonds or the Outstanding Senior Bonds, all principal and interest owing on all Outstanding Senior Bonds shall first be paid in full before any payment is made upon the Series 2015 Bonds or the Outstanding Parity Bonds; provided, however, that, this sentence shall not apply to payments made on the Series 2015 Bonds or the Outstanding Parity Bonds from the proceeds of collateral specifically securing the Series 2015 Bonds or the Outstanding Parity Bonds, including particularly any reserve funds securing the Series 2015 Bonds or the Outstanding Parity Bonds.

Rate Covenant

The Corporation has covenanted and agreed that it will, prior to the close of each Fiscal Year, set rates and charges such that the Net Revenues Available for Debt Service of the Corporation will not be less than the sum of **1.10** times the Average Annual Debt Service on the Series 2015 Bonds, any Additional Bonds and any Additional Obligations (the “**Rate Covenant Requirement**”). If the Net Revenues Available for Debt Service, as calculated at the end of any Fiscal Year, is less than the Rate Covenant Requirement, the Corporation covenants to retain a Consultant to make recommendations to increase the annual Debt Service coverage for subsequent Fiscal Years to at least the Rate Covenant Requirement. So long as the Corporation shall retain a Consultant and the Corporation shall follow such Consultant’s recommendations and so long as the Net

Revenues Available for Debt Service is in no event less than **1.00** times the Average Annual Debt Service with respect to the Series 2015 Bonds, any Additional Notes, and any Additional Obligations, this covenant shall be deemed to have been complied with for such Fiscal Year and no Event of Default shall have occurred under the Loan Agreement even if the Average Annual Debt Service coverage is below the Rate Covenant Requirement.

The Corporation will not furnish or permit to be furnished by or from the Facility any free water or other free service of any kind. The Corporation will levy charges for all water service of any kind furnished at the rates at the time established therefor by the Corporation.

DEBT SERVICE REQUIREMENTS

The Outstanding Parity Bonds and the Outstanding Senior Bonds currently consist of the following:

- Series 2001C Bonds in the outstanding principal amount of \$1,050,000;
- Series 2005A Bonds in the outstanding principal amount of \$15,095,000;
- Series 2005C Bonds in the outstanding principal amount of \$11,830,000; and
- Series 2010 Bonds in the outstanding principal amount of \$6,950,000.

The Outstanding Parity Bonds are secured by the Outstanding Parity Bonds Reserve Fund established by the Missouri Department of Natural Resources, in the amount of \$20,695,004 as of December 31, 2014. The Outstanding Parity Bonds Reserve Fund and the earnings thereon are security solely for the payment of the Outstanding Parity Bonds. The earnings on the Outstanding Parity Bonds Reserve Fund are intended to provide a subsidy to the Corporation equal to approximately 70% of the interest expense on the Outstanding Parity Bonds.

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The following table sets forth the scheduled debt service requirements of the Corporation with respect to the Series 2015 Bonds the Outstanding Bonds, and the anticipated SRF Loan, with interest expense calculated on the Outstanding Bonds net of the expected earnings from the Outstanding Parity Bonds Reserve Fund:

Year ending December 31	Series 2015 Bonds			Outstanding Bonds⁽¹⁾	Anticipated SRF Loan⁽²⁾	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>			<u>Total</u>
2015				\$ 3,564,634	\$ 95,443	\$3,660,077
2016		\$ 662,902	\$ 662,902	3,576,345	452,100	4,691,347
2017		1,379,450	1,379,450	3,575,648	1,239,600	6,194,698
2018		1,379,450	1,379,450	3,577,000	2,027,259	6,983,709
2019	\$ 765,000	1,379,450	2,144,450	3,575,714	2,027,370	7,747,534
2020	805,000	1,341,200	2,146,200	3,572,176	2,028,020	7,746,396
2021	830,000	1,317,050	2,147,050	3,575,889	2,028,120	7,751,059
2022	855,000	1,292,150	2,147,150	4,559,094	2,027,696	8,733,940
2023	890,000	1,257,950	2,147,950	3,064,990	2,026,748	7,239,688
2024	925,000	1,222,350	2,147,350	3,581,969	2,027,267	7,756,586
2025	970,000	1,176,100	2,146,100	3,665,460	2,027,226	7,838,786
2026	1,020,000	1,127,600	2,147,600	1,934,589	2,027,623	6,109,812
2027	1,070,000	1,076,600	2,146,600		2,027,432	4,174,032
2028	1,120,000	1,023,100	2,143,100		2,026,670	4,169,770
2029	1,180,000	967,100	2,147,100		2,027,319	4,174,419
2030	1,240,000	908,100	2,148,100		2,027,341	4,175,441
2031	1,300,000	846,100	2,146,100		2,027,747	4,173,847
2032	1,365,000	781,100	2,146,100		2,027,516	4,173,616
2033	1,420,000	726,500	2,146,500		2,027,650	4,174,150
2034	1,475,000	669,700	2,144,700		2,028,120	4,172,820
2035	1,535,000	610,700	2,145,700		2,027,917	4,173,617
2036	1,595,000	549,300	2,144,300		2,025,041	4,169,341
2037	1,660,000	485,500	2,145,500		\$95,443	2,145,500
2038	2,555,000	402,500	2,957,500			2,957,500
2039	2,680,000	274,750	2,954,750			2,954,750
2040	2,815,000	140,750	2,955,750			2,955,750
Total	<u>\$30,070,000</u>	<u>\$22,997,452</u>	<u>\$53,067,452</u>	<u>\$41,823,508</u>	<u>\$40,459,434</u>	<u>\$135,198,185</u>

(1) Consists of the Outstanding Senior Bonds and the Outstanding Parity Bonds. Debt service on the Outstanding Parity Bonds is shown net of the 70% interest subsidy effected through the application of the earnings on the Outstanding Parity Bonds Reserve Fund.

(2) Estimated debt service shown on the SRF Loan is shown net of the expected interest subsidy and is based on the Corporation's current estimates and assumes a principal amount of \$33,180,000, an interest rate of 1.90% and a maturity of January 1, 2037. The Corporation anticipates the closing of the SRF Loan to occur in October 2015.

DEBT SERVICE COVERAGE

The following table sets forth for the fiscal years ended December 31, 2012, 2013 and 2014, the income reflected in the financial statements of the Corporation available to pay its debt service and the extent to which such income covered debt service requirements on the Outstanding Bonds during those years. This summary should be read in conjunction with the financial statements of the Corporation included as *Appendix A* to this Official Statement. Reference is hereby made to such financial statements, including the notes thereto. There can be no assurance that the Corporation will generate the revenues set forth below in subsequent fiscal years.

	<u>Year Ended December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net income	\$2,260,207	\$1,940,771	\$2,019,650
Plus depreciation, amortization and interest expense	3,389,395	3,321,363	3,211,546
Income available for debt service	5,649,602	5,262,134	5,231,196
Average Annual Debt Service – Outstanding Bonds ⁽¹⁾	<u>3,910,868</u>	<u>3,876,979</u>	<u>3,841,438</u>
Historical average annual debt service coverage ratio	1.44x	1.36x	1.36x

⁽¹⁾ The Corporation's obligations related to the Outstanding Parity Bonds are subordinate to its obligations related to the Outstanding Senior Bonds, which are currently outstanding in the principal amount of \$6,950,000 and have a final maturity of April 1, 2022.

BONDOWNERS' RISKS

The following is a discussion of certain risks that could affect payments to be made by the Corporation with respect to the Series 2015 Bonds. This discussion is not, and is not intended to be, exhaustive and should be read in conjunction with the rest of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2015 Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein and in Appendix B, copies of which are available as described herein.

General

The Series 2015 Bonds are limited obligations of the Authority payable by the Authority solely from payments to be made by the Corporation pursuant to the Loan Agreement and certain other funds held by the Trustee under the Indenture. No representation or assurance can be given that the Corporation will realize revenues in amounts sufficient to make such payments under the Loan Agreement and the Series 2015 Note with respect to the Series 2015 Bonds. The realization of future revenues is dependent upon, among other things, water purchases from the Corporation by the Participating Members, government regulations, and future changes in economic and other conditions that are unpredictable and cannot be determined at this time.

Outstanding Senior Bonds

The Series 2015 Bonds are junior and subordinate to the Outstanding Senior Bonds, so that if at any time the Corporation is in default in paying either interest on or principal of the Outstanding Senior Bonds or if the Corporation is in default in making any other payments under the provisions of the Outstanding Senior Bonds, the Corporation is not required nor permitted to make payments of either principal of or interest on the Series 2015 Bonds or the Outstanding Parity Bonds until said default or defaults be cured. In the event the Corporation has financial difficulties inhibiting its ability to make debt service payments on the Outstanding Bonds and the Series 2015 Bonds, the holders of the Outstanding Senior Bonds will have priority over holders of the Series 2015 Bonds and the Outstanding Parity Bonds, which would adversely affect the Corporation's ability to make timely debt service payments on the Series 2015 Bonds.

Environmental Regulation

Water utilities are subject to continuing environmental regulation. The Corporation is subject to continuing regulation by the Missouri Department of Natural Resources with respect to water supply, the purity of water and plans and specifications for the construction, improvement, alteration and operation of public water supply systems and by the EPA as to the purity of water supplied to customers and the quality of any effluent from filter plants. Federal, state and local standards and procedures that regulate the environmental impact of water utilities are subject to change. These changes arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. The Corporation has experienced increased compliance costs associated with environmental regulations in the past and anticipates that future regulation will likewise increase the environmental compliance costs of the Corporation in the future. Consequently, there is no assurance that the Corporation will always be in compliance with further regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of facilities not in compliance. Legislative, regulatory, administrative or enforcement action involving environmental controls could adversely affect the operation of the facilities of the Corporation and the operating expenses of the Corporation.

Business of the Corporation

The operation of the Corporation's water system is subject to numerous inherent risks, some of which may affect the Corporation's ability to meet its obligations under the Loan Agreement, and is dependent upon its ability to collect revenues from its Participating Members with which to operate its system and to make payments on the Series 2015 Bonds and other obligations. Each Participating Member has entered into a Water Purchase Contract with the Corporation from which revenues of the Corporation are derived. The rates and charges to be paid to the Corporation under Water Purchase Contracts may be adjusted, such that in the event that one or more Participating Members default, the other Participating Members will be required to provide sufficient funds to operate the system and to pay debt service on the Series 2015 Bonds. However, a default by one Participating Member could adversely affect the ability of the Corporation to make timely debt service payments on the Series 2015 Bonds. See **"THE WATER PURCHASE CONTRACTS."**

Although the Corporation has agreed to charge rates sufficient to pay, among other things, the principal of, premium, if any, and interest on the Series 2015 Bonds, there is no assurance that the Corporation will be successful in collecting sufficient revenues to pay debt service on the Series 2015 Bonds on a timely basis. The ability of the Corporation to collect revenues from Participating Members could be adversely affected by matters such as adverse economic conditions affecting the ability of Participating Members to pay amounts owed to the Corporation under their respective Water Purchase Contracts, unexpected repairs, replacements or improvements to the system or the systems of the Participating Members, delays in construction, increased construction requirements imposed by state or federal law or other unanticipated circumstances.

Certain information about the Corporation and its Participating Members is summarized herein under **“THE CORPORATION”** and **“PARTICIPATING MEMBERS.”** The revenues of the Corporation are derived from payments received from Water Purchase Contracts with Participating Members to which water is provided.

Construction Cost Overruns and Availability of Additional Project Funds

The Corporation may experience construction cost overruns beyond the normal construction contingencies built into the estimated Project costs. Any costs exceeding the Project costs funded with Series 2015 Bond proceeds and the additional \$2 million indebtedness the Corporation expects to incur to complete the Project would either require additional borrowing or would need to be funded out of revenues generated by the Corporation’s operations. In either case, such construction cost overruns may have an adverse impact on the availability of revenues to pay debt service on the Series 2015 Bonds. The Corporation may have difficulty borrowing or may be unable to borrow the additional \$2 million presently expected to be incurred or additional amounts ultimately needed to complete the Project as a result of future credit market conditions or otherwise, which would have an adverse impact on the completion of the Project and may adversely impact the availability of revenues to pay debt service on the Series 2015 Bonds.

Rates Charged by Participating Members

The obligation of the Participating Members to make payments under their respective Water Purchase Contracts is limited to revenues from the Participating Members’ waterworks system or combined waterworks and sewer system. The Participating Members are not obligated to levy a tax for such purpose. The Water Purchase Contracts require the Participating Members to take all necessary action to establish, maintain and collect rates and charges for the waterworks services provided by them so as to provide revenues at least sufficient, together with available reserves, to enable each Participating Member to make all payments required under its Water Purchase Contract and to pay all other lawful charges or liens on its waterworks system. There can be no assurance, however, that Participating Members will in fact be able to continue to collect such rates and charges as they have agreed to under the Water Purchase Contracts. The inability of a Participating Member to collect such rates and charges could adversely affect the ability of that Participating Member to make its payments to the Corporation under the Water Purchase Contract and, therefore, the ability of the Corporation to pay principal of, premium, if any, and interest on the Series 2015 Bonds.

Loss or Damage of Facility Property

Under the Loan Agreement, the Corporation has agreed to obtain insurance with respect to its property which is commercially and reasonably insurable. At the present time, and as is the case for most utility operations, casualty insurance for the transmission lines is not obtainable at reasonable costs. In the event of loss or damage to Facility property, insurance proceeds will be used first to the extent feasible for the purpose of restoring or replacing the property lost or damaged in accordance with the Indenture, and any remainder will be used for either future property acquisition or to pay debt service on the Series 2015 Bonds. There can be no assurance either as to the adequacy of or timely payment of insurance benefits in effect in the event of loss or damage to Facility property. In the event that the transmission lines are damaged or destroyed, no insurance proceeds are available for repair or replacement thereof and such lack of insurance proceeds could adversely affect the ability of the Corporation to make timely payments of the principal of, premium, if any, or interest on the Series 2015 Bonds.

In the event of loss or damage to other Facility property for which insurance benefits are insufficient to restore the Facility, the ability of the Corporation to make timely payments of the principal of, premium, if any, or interest on the Series 2015 Bonds could be adversely affected.

Availability of Raw Water

The Corporation's source of water is located in an area referred to as the Atherton Bottoms, in northeastern Jackson County. In addition to the Corporation, other entities obtain water from this source. If the Corporation is unable to obtain sufficient water to meet its needs or other emergency conditions occur, there is no assurance that the Corporation will be able to maintain a source of water to supply the Participating Members. The Water Purchase Contracts with the Participating Members provide that a Participating Member is not relieved of its obligation to make payment thereunder if the Participating Member acquires water supply from an alternate source during the existence of emergency conditions. Any delay or inability to receive payments under the Water Purchase Contracts in that event would adversely affect the Corporation's ability to make timely payments of principal of, premium, if any, and interest on the Series 2015 Bonds.

Loss of Participating Members

There can be no assurance that one or more Participating Members will not leave the Corporation for alternate sources of water from new or existing water suppliers. The loss of existing Participating Members could adversely affect the future operations of the Corporation. As discussed herein under **"THE WATER PURCHASE CONTRACTS,"** however, the Corporation will have the ability to commence enforcement action for damages or specific performance against Participating Members to enforce the Water Purchase Contracts. There can be no assurance that if the Corporation enforced the Water Purchase Contracts, payments would be received at the times necessary to make timely payments of debt service on the Series 2015 Bonds. If the Corporation is unable to receive revenues under the Water Purchase Contracts or those revenues are not received on a timely basis, the ability of the Corporation to make timely payments of the principal of, premium, if any, or interest on the Series 2015 Bonds could be adversely affected.

Competition

Various water systems of larger municipalities (such as the Cities of Kansas City, Independence and Harrisonville, Missouri) are capable of providing the wholesale water needs of one or more of the Participating Members. The Corporation believes that certain of these cities has sold or is presently selling wholesale water at rates substantially below the Corporation's current wholesale rates. Additionally, the City of Kansas City and the City of Independence each presently provide a portion of the wholesale water needs of three of the non-sole-source Participating Members. Although the Water Purchase Contracts for 8 of the 15 Participating Members require those Participating Members to purchase all their water needs from the Corporation, competition from other water systems may limit the purchases of water by the other Participating Members, may limit the ability of the Corporation to attract new Participating Members, or could induce one of the Participating Members to seek to default on its Water Purchase Contract with the Corporation (or seek to set aside the "take or pay" provisions in the Water Purchase Contracts).

No Reserve Fund or Credit Enhancement

No debt service reserve fund, financial guaranty insurance policy, letter of credit or other credit enhancement will be issued to insure payment of the principal of or interest on the Series 2015 Bonds. Accordingly, any potential purchaser of the Series 2015 Bonds should consider the financial ability of the Corporation to pay amounts under the Loan Agreement sufficient to provide payments of the debt service for the Series 2015 Bonds.

Tax-Exempt Status of the Series 2015 Bonds

The failure by the Corporation to comply with certain legal requirements could cause the inclusion of interest on the Series 2015 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2015 Bonds. See **“TAX MATTERS.” The Indenture does not provide for the mandatory redemption of the Series 2015 Bonds or the payment of any additional interest or penalty if the interest on the Series 2015 Bonds becomes includable in gross income for federal income tax purposes.**

Loss of Premium from Prepayment

Any person who purchases Series 2015 Bonds at a price in excess of the principal amount therefor who holds such Series 2015 Bonds trading at a price in excess of par should consider the fact that the Series 2015 Bonds are subject to redemption prior to maturity at par in the event such Series 2015 Bonds are prepaid prior to maturity. See **“THE SERIES 2015 BONDS – Redemption Prior to Maturity.”**

Factors Relating to Security for the Series 2015 Bonds

Enforcement of Remedies. Enforcement of the remedies under the Loan Agreement, the Indenture, the Mortgage and the Water Purchase Contracts may be limited or restricted by federal and state laws relating to bankruptcy, fraudulent conveyances, and rights of creditors and by application of general principles of equity affecting the enforcement of creditors’ rights and liens securing such rights, and by the exercise of judicial authority by state or federal courts, and may be subject to discretion and delay in the event of litigation or statutory remedy procedures. The various legal opinions to be delivered concurrently with the delivery of the Series 2015 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies, and by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors.

Limited Value of Facilities Subject to the Mortgage. The Corporation has granted the Trustee a lien on substantially all of its property. Upon the occurrence of an Event of Default under the Indenture, the mortgage trustee may exercise certain rights, including the right to foreclose on and sell such property. There can be no assurance that the revenues generated by such foreclosure remedy would be adequate for payment of the principal of, premium, if any, and interest on the Series 2015 Bonds, or any Additional Bonds or Additional Obligations then outstanding. The facilities of the Corporation are not general purpose facilities and would be of limited utility for purposes other than those for which they are intended. As a result, the sale price or rentals generated by such facilities might be of less than full value and might not be sufficient to repay the outstanding Series 2015 Bonds, any Additional Bonds and any Additional Obligations then outstanding.

Additional Bonds

Pursuant to the terms of the Indenture and the Loan Agreement, Additional Bonds, Additional Notes or Additional Obligations may be issued by or for the benefit of the Corporation on a parity with the Series 2015 Bonds. See **“ADDITIONAL BONDS, ADDITIONAL NOTES AND ADDITIONAL OBLIGATIONS.”** In the event of such issuance, the effect on the Bondholders cannot be determined at this time, and it is possible that a dilution of the security for the Series 2015 Bonds will occur. Such event may adversely affect the ability of the Corporation to make payments of principal of, premium, if any, and interest on the Series 2015 Bonds.

Other Factors Affecting the Business Operations of the Corporation

One or more of the following additional factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the Corporation's operations and financial performance to an extent that cannot be determined at this time:

1. *Changes in Management.* Changes in key management personnel could affect the capability of management of the Corporation. John Overstreet has served as General Manager of the Corporation since 1994, and the Corporation is highly dependent upon his skills, knowledge, experience and history with the Corporation and its Participating Members. The loss of the services of Mr. Overstreet and transition to a new General Manager could have a material adverse impact on the Corporation and its results of operations.

2. *Future Economic Conditions.* Increased unemployment or other adverse economic conditions or changes in demographics in the service area of the Corporation or the Participating Members; cost and availability of energy; an inability to control expenses in periods of inflation and difficulties in increasing rates and charges. For example, the recession in 2008 and 2009 directly affected housing construction in many areas served by the Participating Members. The 2005 expansion of the Corporation's treatment and distribution facilities was based, in part, on the projected growth of housing in those communities. The dramatic decline in new housing starts in certain areas served by the Participating Members has affected the growth and revenues of those water systems compared to the projections utilized in 2005.

3. *Natural Disasters.* The occurrence of natural disasters, such as tornadoes, earth quakes, floods or droughts, could damage the facilities of the Corporation, affect water supply, interrupt services or otherwise impair operations and the ability of the Corporation to produce revenues.

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

Risk of Audit

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations should be included in gross income for federal income tax purposes. Owners of the Series 2015 Bonds are advised that, if an audit of the Series 2015 Bonds were commenced, the Internal Revenue Service, in accordance with its current published procedures, is likely to treat the Authority as the taxpayer, and the owners of the Series 2015 Bonds may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Series 2015 Bonds during the pendency of the audit, regardless of the ultimate outcome of the audit.

Investment Ratings and Secondary Market

The lowering or withdrawal of the investment rating initially assigned to the Series 2015 Bonds could adversely affect the market price for and the marketability of the Series 2015 Bonds. There is no assurance that a secondary market will develop for the purchase and sale of the Series 2015 Bonds. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and changes in operating performance of the entities operating the facilities subject to the municipal securities. From time to time the secondary market trading in the Series 2015 Bonds may be unavailable or costly as a result of the financial condition or market position of the Corporation, prevailing market conditions, or a material adverse change in the operations of that Corporation, whether or not the Series 2015 Bonds are in default as to principal and interest payments. Municipal securities are generally viewed as

long-term investments, subject to material unforeseen changes in the investor's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

Defeasance Risks

When all Series 2015 Bonds are deemed paid as provided in the Indenture (in *Appendix C*, see **“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Satisfaction and Discharge of the Indenture”** and **“- Bonds Deemed to be Paid”**), the Indenture will be released and terminated and the Facilities encumbered by the Mortgage as security for the Bonds will be released. Any Series 2015 Bond shall be deemed to be paid when (a) payment of the principal of and premium, if any, thereon and the interest on the Series 2015 Bonds whether such payment is by reason of the stated payment date or upon prepayment as provided in the Indenture either (i) has been made in accordance with the terms of such Bond, or (ii) has been provided by irrevocably depositing, in trust and irrevocably set aside exclusively for such payment, (1) cash sufficient to make such payment and/or (2) Defeasance Obligations, maturing as to principal and interest in such amounts and at such time as will ensure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee pertaining to such Bond have been paid or the payment thereof provided for to the satisfaction of the Trustee. Defeasance Obligations include, in addition to cash and obligations pre-refunded with cash, bonds, notes, certificates of indebtedness, treasury bills and other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America. There is no legal requirement in the Indenture that Defeasance Obligations consisting of such United States obligations be rated in the highest rating category by any rating agency. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets, and that could include the rating of Series 2015 Bonds defeased with Defeasance Obligations to the extent the Defeasance Obligations have a change or downgrade in rating.

THE CORPORATION

Background

The Corporation was organized January 11, 1991, for the purpose of providing wholesale potable water to public water supply districts, municipalities, other governmental entities and other persons. The Corporation's principal offices are located in Independence, Missouri. The Corporation was formed in an effort to establish a regional water system that would afford more local input into the development and administration of future water supplies.

The Corporation provides potable water to the Participating Members through wholesale contracts. The Corporation is responsible for the construction, operation and maintenance of all water wells, the water treatment plant, pump stations, tanks, and transmission lines to each Participating Member that contracts with the Corporation. The Corporation owns, operates and maintains the treatment plant and transmission mains (collectively referred to as the **“System”**). The Corporation provides management of the utility, engineering and construction of capital facilities, operation and maintenance of the System and all administration necessary for the development and implementation of the Corporation's water supply program.

The revenues of the Corporation are derived primarily from payments received from the Water Purchase Contracts with the Participating Members. Under the Water Purchase Contracts, 12 Participating Members have agreed to purchase a minimum amount of water annually from the Corporation, and nine Participating Members have agreed that the Corporation will be their sole source for the purchase of water, except in emergency conditions. See **“THE WATER PURCHASE CONTRACTS,” “THE PARTICIPATING MEMBERS”** and **“RISK FACTORS.”**

Management

The affairs and activities of the Corporation are currently governed by policy established by a 15 member Board of Directors. All Board member terms of office are indefinite and are filled at the direction of their respective governmental entity. Each of the 15 Participating Members of the Corporation is entitled to designate one director, and the size of the Board of Directors may increase as additional members are added. To be eligible for membership on the Board, a Participating Member must purchase all their water needs from the Corporation or purchase the greater of approximately 50,000 GPD or 10% of their water needs from the Corporation.

The current directors and officers of the Corporation and their affiliation with the Participating Members are:

<u>Name</u>	<u>Position</u>	<u>Affiliation</u>
Robert Albers	President	Public Water Supply District No. 11 (Cass)
Mike Kohler	Secretary and Director	Public Water Supply District No. 9 (Cass)
David Shrout	Vice-President and Director	Public Water Supply District No. 17 (Jackson)
Maxine Hackler	Treasurer and Director	Public Water Supply District No. 12 (Cass)
Steve Besermin	Director	City of Lake Winnebago
Paul Brownsberger	Director	Public Water Supply District No. 5 (Cass)
Elroy Knoche	Director	Public Water Supply District No. 4 (Cass)
Terry Mayfield	Director	City of Drexel
Kaye McCarthy	Director	City of East Lynne
Ken Murphy	Director	City of Grain Valley
Mark Randall	Director	City of Pleasant Hill
Thomas Reilly	Director	Public Water Supply District No. 13 (Jackson)
Chris Sandi	Director	City of Blue Springs
Albert Teague	Director	Public Water Supply District No. 1 (Jackson)
Gary Wesselschmidt	Director	Public Water Supply District No. 12 (Jackson)

The daily affairs of the Corporation are managed by John Overstreet, the General Manager of the Corporation. Mr. Overstreet has served in that capacity since 1994, and prior to that time, served as a system superintendent for an investor-owned water utility in Central Illinois.

Description of The Facility

The Corporation obtains raw water from its own wells located on property acquired by it in a known producing aquifer located immediately south of and adjacent to the Missouri River in an area known as the Atherton Bottoms.

The Corporation constructed four vertical wells and one horizontal collector well with a total firm capacity of 16,200 gallons per minute. These wells are approximately 95 feet deep and draw water from an aquifer approximately 40 feet thick. Each well is capable of producing 700 to 12,800 gallons per minute. The water from this aquifer requires lime softening and iron removal. The treatment plant was designed and constructed in accordance with Missouri Department of Natural Resources guidelines.

Treated water is stored at the treatment plant site in a 1,200,000-gallon ground level storage reservoir. The water is then pumped through a combination of four 400 horsepower pumps to a 5,000,000 gallon storage reservoir located in Grain Valley. Two pump stations are located at this site. One of these pumps directly to the City of Blue Springs, and the other provides service to Grain Valley and the remaining downstream customers. From this location, water is pumped into a 1,500,000 gallon elevated storage tank to provide service to Grain

Valley, and a 1,000,000 reservoir located in Lee's Summit, where another pump station provides pressure to fill a second elevated storage tank located west of Pleasant Hill. This tank is used to provide service to several Participating Members, and to fill two 1,500,000 gallon ground storage reservoirs located north of Harrisonville. From this location the Corporation provides service to the remaining Participating Members throughout the southern Cass County and Bates County region.

In 2012, the Corporation purchased an additional 500 acres near the existing Facility site, which will be the site of up to four new wells after completion of the Project. The acquisition of the property provided an additional 6 million gallons per day of raw water capacity initially and may provide an additional 42 million gallons per day for future development. See **"PLAN OF FINANCING – The Project"** for a description of other improvements to be financed with the proceeds of the Series 2015 Bonds and the SRF Loan.

Participating Members and the Water Purchase Contracts

Substantially all of the revenues of the Corporation are derived from payments received on Water Purchase Contracts with Participating Members and from earnings on funds held by the Corporation. The following table sets forth the current Participating Members and the minimum gallons per day (GPD) each is required to purchase under the Water Purchase Contracts.

Participating Members and Minimum Required Water Purchases

<u>Participating Member</u>	<u>Minimum Water Purchases ⁽¹⁾</u>	<u>Average Water Purchased (GPD) ⁽²⁾</u>	<u>Water Purchase Contract Expiration Date</u>
Jackson PWSD No. 1 ⁽³⁾	0	0	2041
Cass PWSD No. 4	38,325,000	58,762,704	2024
Cass PWSD No. 5	17,520,000	50,830,495	2024
Cass PWSD No. 9	124,100,000	164,679,108	2024
Cass PWSD No. 11	21,900,000	48,743,586	2024
Jackson PWSD No. 12	59,447,185	54,602,797	2024
Cass PWSD No. 12	16,425,000	28,537,117	2024
Jackson PWSD No. 13	90,228,000	170,285,558	2024
Jackson PWSD No. 17	23,812,235	22,267,674	2024
City of Drexel	21,900,000	22,565,198	2023
City of Lake Winnebago	29,200,000	30,455,440	2022
City of Pleasant Hill	32,001,375	36,772,079	2022
City of Grain Valley	0	153,236,493	2024
City of East Lynne	7,300,000	9,562,699	2020
City of Blue Springs	0	429,549,180	2026

⁽¹⁾ Minimum annual water purchase per terms of Water Purchase Contract.

⁽²⁾ Average water purchase per year for calendar years 2012-2014.

⁽³⁾ Jackson PWSD No. 1 entered into its Water Purchase Contract March 26, 2015.

The Water Purchase Contracts contain take or pay provisions requiring all Participating Members, except Jackson PWSO No. 1, Blue Springs and Grain Valley to purchase a minimum amount of water per year. Jackson PWSO No. 1, Blue Springs and Grain Valley are each required to fund 100% of debt service payments attributed to projects for their respective benefit regardless of the amount of water purchased. See **“THE CORPORATION – Revenue and Rate Structure”** below.

None of the Participating Members has its own water supply.

Admission and Withdrawal of Participating Members

The Bylaws of the Corporation provide that additional municipalities of the State of Missouri, which are cities, incorporated towns or villages, or public water supply districts formed under the provisions of Chapter 247 of the Revised Statutes of Missouri that own and operate water supply systems that distribute potable water at retail to inhabitants of such municipality or public water supply districts may become additional members of the Corporation. Membership will be extended to public water supply districts and municipalities that (1) purchase all of their water needs from the Corporation and thus become “sole-source” purchasers, or (2) purchase a minimum of the greater of 10% of its water needs or 50,000 gallons per day. Each additional member must adopt, and agree to be bound by the Bylaws of the Corporation. New memberships become effective when the new memberships have been approved by a two-thirds majority vote of the directors of the Corporation voting on the question of the approval of such membership at a regular meeting of the Corporation’s Board of Directors.

Under the Bylaws, a Participating Member may withdraw from membership in the Corporation upon giving six months written notice to the Corporation, except that the withdrawal will not become effective until the indebtedness incurred by the Corporation has been paid or defeased or the withdrawing member has paid to the Corporation its pro rata portion thereof. A withdrawing member will forfeit any ownership interest in any projects of the Corporation and will not be entitled to any property or assets of the Corporation. Withdrawal from the Corporation will not affect or otherwise terminate or alter any contractual obligation then existing between the Corporation and that member.

Service Area

The Corporation provides water services to Participating Members in the communities of eastern Jackson County, Cass County, and Bates County, Missouri and to the rural areas contained within public water supply districts and municipalities.

Revenue and Rate Structure

The Corporation derives essentially all of its revenues from Water Purchase Contracts with its Participating Members. Other revenues are received from investment earnings on funds held by the Corporation, grants or fund donations. Water rate charges are collected by the Corporation based upon a monthly billing under the Water Purchase Contracts.

Water rates are charged based on three components: (1) the commodity charge, which is the cost of producing and delivering water to the Participating Members before debt service and before required deposits to depreciation and debt service reserves under the various debt financings agreements, (2) debt service on the Series 2001C Bonds and the Series 2010 Bonds, and (3) debt service on the Series 2005A Bonds and the Series 2005C Bonds, which financed a major expansion of the treatment, storage and distribution capacity of the Corporation. The Series 2015 Bonds will be included in the third component of the water rates charged by the Corporation. The first two components of water rate charges are referred to by the Corporation and the Participating Members as the **“Base Water Rate.”**

The following table sets forth the Base Water Rates of the Corporation during the last five years, which is a uniform base rate for all Participating Members, other than Grain Valley and Blue Springs. Certain of the Participating Members that pay the Base Water Rate have reduced the water rates they pay in exchange for certain capital contributions initially made to the Corporation. As a result, the actual water rates the Corporation charges these Participating Members is currently between \$0.085 and \$0.57 per 1,000 gallons less than the Corporation's current base water rate of \$4.30 per 1,000 gallons (depending upon the amount of capital contribution that the applicable Participating Member previously made to the Corporation).

Historical Base Water Rates

<u>Year</u>	<u>Commodity Charge</u>	<u>Debt Service</u>	<u>Rate/1,000 Gallons</u>
2010	\$1.65	\$2.85	\$4.50
2011	1.65	2.70	4.35
2012	1.75	2.60	4.35
2013	1.86	2.54	4.40
2014	1.87	2.43	4.30

The Historical Base Water Rates shown above are the rates based on costs of producing the water and the debt service on loans incurred by or bonds issued on behalf of the Corporation prior to 2005 to finance or refinance the costs of the initial construction of the Facility and expansions thereof. In May and November 2005, the Authority issued the Series 2005A Bonds and the Series 2005C Bonds in the aggregate principal amount of \$40,625,000 to provide funds to loan to the Corporation to finance a major expansion of the Facility. The 2005 expansion of the Facility increased the daily water treatment capacity of the Corporation from 3.1 million gallons to 10.5 million gallons. This expansion was undertaken primarily to accommodate the needs of the Cities of Grain Valley (which became a Participating Member in November 2004) and Blue Springs (which entered into its Water Purchase Contract with Grain Valley in February 2005 and became a Participating Member in 2013). The 2005 expansion project was also based on the estimated future needs of each of the other Participating Members through the year 2024.

Under resolutions of the Board of Directors of the Corporation applicable to all Participating Members, the Participating Members agreed to pay water rates based on a combination of (1) the commodity charge, adjusted annually on the basis of the budgeted costs of producing the water sold to each Participating Member, plus (2) that Participating Member's share of the debt service payments on the Series 2005A Bonds and the Series 2005C Bonds. Each Participating Member's share of the debt service payments on the Series 2005A Bonds and the Series 2005C Bonds was computed based on the projected needs of each of the Participating Members through the year 2024, which needs assessments were used to determine the scope of the 2005 expansion.

The debt service on those costs of those portions of the 2005 expansion directly attributable to a Participating Member are charged to that Participating Member. Accordingly, as the 2005 expansion project was primarily to provide for the extension of treatment and storage capacity for and distribution to Grain Valley and Blue Springs, the majority of the Series 2005A Bonds and Series 2005C Bonds debt service requirements are charged to Grain Valley and Blue Springs.

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The following table sets forth the percentage of debt service on the Series 2005A Bonds and the Series 2005C Bonds that is charged to each Participating Member.

Water Rates for 2005 Financing Costs

<u>Participating Member</u>	<u>Percentage of Debt Service</u>
Jackson PWSD No. 1	0.00%
Cass PWSD No. 4	2.25
Cass PWSD No. 5	1.19
Cass PWSD No. 9	11.23
Cass PWSD No. 11	1.81
Jackson PWSD No. 12	0.00
Cass PWSD No. 12	1.08
Jackson PWSD No. 13	11.36
Jackson PWSD No. 17	0.00
City of Drexel	0.00
City of Lake Winnebago	0.00
City of Pleasant Hill	0.00
City of Grain Valley	31.98
City of Blue Springs	38.97
City of East Lynne	<u>0.31</u>
Total	100.00%

In setting the annual water rates, the Corporation currently computes debt service on its Outstanding Bonds at approximately 115% of maximum annual debt service on the Outstanding Bonds in order to provide the required debt service coverage under the applicable financing documents. The Corporation originally covenanted, with respect to the Outstanding Parity Bonds, to set rates and charges such that the Net Revenues Available for Debt Service of the Corporation will not be less than the sum of **1.10** times the Maximum Annual Debt Service on the Outstanding Parity Bonds. Subsequent to the closing of the Series 2015 Bonds, the Authority and the Corporation are expected to amend the loan agreements related to the Outstanding Parity Bonds to provide that the Corporation will covenant to set rates and charges in a particular year such that the Net Revenues Available for Debt Service of the Corporation will not be less than the sum of **1.10** times the actual debt service owed by the Corporation in such year. After the issuance of the Series 2015 Bonds and the above-described amendment, the Corporation expects to compute debt service on the Outstanding Bonds and the Series 2015 Bonds at 115% of the greater of Average Annual Debt Service and the actual debt service owed by the Corporation in the respective year.

After the issuance of the Series 2015 Bonds and the incurrence of the SRF Loan, the water rates for financing costs portion of the Corporation's water rate will increase to account for the Debt Service on the Series 2015 Bonds and the SRF Loan. The increase will be apportioned to reflect the costs of the Project attributable to the Participating Members benefitting from the Project, which the Corporation expects to be primarily Jackson PWSD No. 1 and Blue Springs. The table on the following page sets forth the Corporation's projections of the relative water rates for financing costs after the issuance of the Series 2015 Bonds and the incurrence of the SRF Loan.

Projected Water Rates Financing Costs

<u>Participating Member</u>	<u>Percentage of Debt Service⁽¹⁾</u>
Jackson PWSD No. 1	43.80%
Cass PWSD No. 4	1.33
Cass PWSD No. 5	0.96
Cass PWSD No. 9	5.07
Cass PWSD No. 11	1.11
Jackson PWSD No. 12	0.79
Cass PWSD No. 12	0.64
Jackson PWSD No. 13	5.28
Jackson PWSD No. 17	0.30
City of Drexel	0.27
City of Lake Winnebago	0.39
City of Pleasant Hill	0.46
City of Grain Valley	8.73
City of Blue Springs	30.66
City of East Lynne	<u>0.21</u>
Total	100.00%

⁽¹⁾ Based on principal amounts, interest rates and maturities on the Series 2015 Bonds and the SRF Loan.

Water Operations

The area initially serviced by the Corporation includes water districts in eastern Jackson County and communities and water districts in Cass County, Missouri. The water supply for this service area consists of four vertical wells and one horizontal collector well with a total capacity of approximately 23 million gallons per day. The wells pump from a shallow alluvial formation adjacent to the Missouri River and supply the present and anticipated future needs of the service area. The raw water is pumped approximately 1,000 feet to a lime softening, iron removal water treatment facility incorporating filtration and chlorine disinfection meeting standards required by Missouri Department of Natural Resources for ground water under the influence of surface water, although Missouri Department of Natural Resources has currently identified the facility as groundwater not under the influence of surface water. The treatment plant capacity was designed to meet the current supply needs of the Participating Members and Blue Springs in the service area, along with the 20 year projected demands of all of the Participating Members, with the exception of Grain Valley and Blue Springs. The treatment plant facility is constructed to facilitate additional plant expansions in order to meet the future needs of the service area and to accommodate the needs of future members of the Corporation. The transmission system consists of approximately 100 miles of water mains, ranging in size from eight inches to 48 inches in diameter, along with four ground storage reservoirs, two elevated towers, and four booster pump stations.

The transmission mains parallel existing county roadways where possible to facilitate maintenance. System storage is provided at seven locations: (1) 1,200,000 gallons of storage owned by the Corporation at the treatment plant, (2) the 5,000,000 gallon ground storage tank located in Grain Valley along Interstate I-70 (Tyer), (3) the 1,500,000 gallon elevated tank located in the southwest corner of Grain Valley (Minter), (4) the 1,000,000 gallon ground storage reservoir located in Lee's Summit (Colbern), (5) the 750,000 gallon elevated tank located west of Pleasant Hill (Route BB), and (6) the two 1,500,000 ground storage tanks located north of Harrisonville (Shaffer). System storage is intended primarily to protect against interruption of service along

the transmission route. Each member of the Corporation is responsible for its own system storage required to meet peak hourly demands. Pumping is provided at four locations: (1) high service pumps are provided at the treatment plant, (2) booster pump stations located at the Tyler Road Ground Storage site, (3) the Colbern Road Ground Storage site, (4) the Route BB Elevated Tank site, and (5) the Shaffer Ground Storage site.

See “**PLAN OF FINANCING – The Project**” for a discussion of the expansion of the system to be financed with the proceeds of the Series 2015 Bonds and the SRF Loan. Upon completion of the Project, the Corporation expects to have a finished water capacity of approximately 20.5 million gallons per day.

Regulation

Although the Corporation’s water rates are not subject to regulation by the Missouri Public Service Commission, the Corporation is regulated by other federal and state agencies. The Corporation is subject to regulation by the MDNR with respect to water supply, the purity of water and plans and specifications for the construction, improvement, alteration and operation of public water supply systems and by the EPA as to the purity of water supplied to customers and the quality of any effluent from filter plants. The EPA promulgates nationally applicable maximum contaminant levels (“**MCLs**”) for contaminants which might be found in drinking water. The EPA has continuing authority to issue additional regulations under the Safe Drinking Water Act, as amended (“**SDWA**”). In April 1986, Congress amended the SDWA to require the EPA within a three-year period, to promulgate MCLs for over 80 chemicals not then regulated. The EPA regularly adds other MCLs to the SDWA. The MDNR tests the water quality of the Corporation’s water annually, and the Corporation has been in compliance with all Federal and State water quality standards as of each test date.

Financial Records

The financial statements of the Corporation are set forth in *Appendix A* to this Official Statement for the years ended December 31, 2013 and 2014. Such financial statements have been audited by Troutt, Beeman & Co., P.C., independent certified public accountants. The financial statements of the Corporation have been prepared in conformity with practices utilized by the water utility industry, which is a comprehensive basis of accounting other than generally accepted accounting principles, as described in Note 1 of the Notes to Financial Statements included in *Appendix A*.

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Summary of Revenues and Expenses and Balance Sheet Data

The table below presents a summary of historical statements of revenues and expenses of the Corporation for the last five years and certain balance sheet data as of December 31, 2010, 2011, 2012, 2013 and 2014, which have been derived from the financial statements of the Corporation audited by Troutt, Beeman & Co., P.C., independent certified public accountants, and with respect to the years ended December 31, 2013 and 2014, should be read in conjunction with the audited financial statements of the Corporation, including the notes thereto, contained in *Appendix A* to this Official Statement. In the opinion of the Corporation's management, there has been no material adverse change in the financial condition of the Corporation since December 31, 2014, the date of the last audited financial statements.

SUMMARY OF REVENUES AND EXPENSES

	Years Ended December 31,				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Water revenues	\$6,168,984	\$6,172,701	\$6,842,962	\$6,409,097	\$6,640,903
Cost of sales:					
Chemicals	316,162	312,901	404,172	371,941	388,178
Salaries and wages	355,320	353,706	371,188	458,809	497,555
Payroll taxes	26,185	25,979	28,263	34,403	39,029
Utilities	461,332	466,825	514,539	512,916	551,537
Repairs and maintenance	225,580	285,495	222,762	223,655	281,792
Supplies	1,376	1,580	1,191	3,264	6,354
Depreciation and amortization	<u>1,438,747</u>	<u>1,443,478</u>	<u>1,508,413</u>	<u>1,510,651</u>	<u>1,520,337</u>
Gross profit	<u>3,334,282</u>	<u>3,282,737</u>	<u>3,792,434</u>	<u>3,293,458</u>	<u>3,356,121</u>
Operating Expenses:					
Administration	4,260	3,958	4,658	4,699	6,182
Office supplies	7,884	5,651	6,261	8,032	7,976
Professional fees	215,021	222,253	209,477	207,819	200,847
Insurance	131,528	141,786	163,609	205,849	240,599
Pension contributions	34,521	35,571	38,386	37,293	51,808
Transportation expense	16,862	18,315	17,050	22,213	23,050
Travel	-	-	-	969	971
General taxes	8,590	14,109	8,500	19,588	16,003
Dues and subscriptions	1,534	1,145	2,038	1,140	820
Training and seminars	<u>1,893</u>	<u>2,026</u>	<u>3,298</u>	<u>4,524</u>	<u>2,627</u>
Income from operations	<u>2,922,189</u>	<u>2,837,923</u>	<u>3,339,157</u>	<u>2,781,332</u>	<u>2,805,238</u>
Other Income (Expense):					
Farm Income	7,378	8,155	14,286	21,426	64,288
Interest income	1,142,045	1,037,809	989,230	932,501	880,378
Tower Lease(s)	24,842	25,587	26,354	24,894	27,959
Loss on disposition of assets	(42,519)	(57,990)	(358,030)	(59,700)	(64,065)
Bond Fees	(29,063)	-	-	-	-
Miscellaneous Income	4,159	8,899	130,491	98,783	20,452
Miscellaneous Expense	(888)	(549)	(299)	(47,753)	(23,391)
Interest expense	(2,156,935)	(1,969,866)	(1,880,982)	(1,810,712)	(1,691,209)
Gain on Refinance	<u>465,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income	<u>\$2,336,533</u>	<u>\$1,889,968</u>	<u>\$2,260,207</u>	<u>\$1,940,771</u>	<u>\$2,019,650</u>

Balance Sheet Data:

	Years Ended December 31,				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Fund equity:					
Member contributions	\$ 2,052,151	\$ 2,052,151	\$ 2,052,151	\$ 2,052,151	\$ 2,052,151
Fund balance	<u>13,160,630</u>	<u>15,050,598</u>	<u>17,310,805</u>	<u>19,251,576</u>	<u>21,271,226</u>
Total fund equity	<u>15,212,781</u>	<u>17,102,749</u>	<u>19,362,956</u>	<u>21,303,727</u>	<u>23,323,377</u>
Total long-term debt	<u>43,260,000</u>	<u>40,795,000</u>	<u>38,285,000</u>	<u>35,635,000</u>	<u>33,030,333</u>
Liabilities payable from restricted assets	<u>25,722,999</u>	<u>24,486,561</u>	<u>23,225,314</u>	<u>21,948,263</u>	<u>20,632,905</u>
Total current liabilities	<u>3,487,619</u>	<u>3,483,449</u>	<u>4,386,733</u>	<u>3,553,872</u>	<u>4,867,943</u>
Total fund equity and liabilities	<u>\$87,683,399</u>	<u>\$85,867,759</u>	<u>\$85,260,003</u>	<u>\$82,440,862</u>	<u>\$81,854,225</u>

THE PARTICIPATING MEMBERS

The Participating Members of the Corporation consist of six municipalities and nine public water supply districts located in Jackson and Cass Counties in western central Missouri. Each Participating Member currently owns and operates its own retail water distribution system. Nine Participating Members use the Corporation's Facility as their sole source of treated water supply.

Additional municipalities of the State of Missouri, which are cities, incorporated towns or villages, or public water supply districts formed under the provisions of Chapter 247, R.S.Mo. that own and operate water supply systems that distribute potable water at retail to inhabitants of such municipality or public water supply districts may become additional members of the Corporation under its Bylaws. Each additional member must adopt, and agree to be bound by the Bylaws of the Corporation. New memberships become effective when the new memberships have been approved by a two-thirds majority vote of the directors of the Corporation voting on the question of the approval of such membership at a regular meeting of the Corporation's Board of Directors.

Description of Participating Members

The following is a brief description of each of the Participating Members, based on information the Corporation has obtained from each of the Participating Members. This summary is not, and is not intended to be, a comprehensive summary of each of the Participating Member's operations or financial condition. All information in this Official Statement relating to the Participating Members (other than water purchase data from the Corporation's records) has been obtained from the Participating Members. Although the Corporation has no reason to believe that any of that information is incorrect or incomplete, the Corporation cannot guarantee the accuracy of that information.

Public Water Supply District No. 1 (Jackson)

Public Water Supply District No. 1 of Jackson County, Missouri ("**Jackson PWSD No. 1**") is located in Jackson County, Missouri, serving customers in Grandview. Jackson PWSD No. 1 started serving customers in 1935. At the present time, Jackson PWSD No. 1 supplies water to approximately 9000 customers.

Public Water Supply District No. 4 (Cass)

Public Water Supply District No. 4 of Cass County, Missouri (“***Cass PWSD No. 4***”) consists of approximately 40 square miles south of Harrisonville, Missouri, in Cass County, Missouri, was organized in 1971 and first began supplying water to its customers in 1976. At the present time, Cass PWSD No. 4 supplies water to approximately 700 customers.

Public Water Supply District No. 5 (Cass)

Public Water Supply District No. 5 of Cass County, Missouri (“***Cass PWSD No. 5***”) is located in northeast Cass County, Missouri, and was organized in 1972 and first began supplying water to its customers in 1975. At the present time, Cass PWSD No. 5 supplies water to approximately 900 customers.

Public Water Supply District No. 9 (Cass)

Public Water Supply District No. 9 of Cass County, Missouri (“***Cass PWSD No. 9***”) is located in Cass County, Missouri, and was organized in 1974 and first began supplying water to its customers in November, 1976. At the present time, Cass PWSD No. 9 supplies water to approximately 2,200 customers.

Public Water Supply District No. 11 (Cass)

Public Water Supply District No. 11 of Cass County, Missouri (“***Cass PWSD No. 11***”) is located in Cass County, Missouri and was organized in 1981. Cass PWSD No. 11 became operational in 1993. At the present time, Cass PWSD No. 11 supplies water to approximately 650 customers.

Public Water Supply District No. 12 (Cass / Bates)

Public Water Supply District No. 12 of Cass County, Missouri (“***Cass PWSD No. 12***”) is located in Cass County, Missouri, and was organized in June, 1992 and first began supplying water to its customers in approximately May, 1995. At the present time, Cass PWSD No. 12 supplies water to approximately 600 customers.

Public Water Supply District No. 12 (Jackson)

Public Water Supply District No. 12 of Jackson County, Missouri (“***Jackson PWSD No. 12***”) is located in Jackson County, Missouri, and was organized in December, 1948 and first began supplying water to its customers in approximately 1950. At the present time, Jackson PWSD No. 12 supplies water to approximately 2,000 customers.

Public Water Supply District No. 13 (Jackson)

Public Water Supply District No. 13 of Jackson County, Missouri (“***Jackson PWSD No. 13***”) is located in Jackson County, Missouri, serving the area south of Blue Springs and east of Lee’s Summit, and was organized in 1962 and first began supplying water to its customers in 1962. At the present time, Jackson PWSD No. 13 supplies water to approximately 2,200 customers.

Public Water Supply District No. 17 (Jackson)

Public Water Supply District No. 17 of Jackson County, Missouri (“***Jackson PWSD No. 17***”) is located in Jackson County, Missouri, serving customers in rural Grain Valley, Oak Grove, Lone Jack, and Blue Springs. The District was organized in July 1971 and first began supplying water to its customers in approximately 1973. At the present time, Jackson PWSD No. 17 supplies water to approximately 880

customers.

City of Blue Springs

The City of Blue Springs, Missouri (“***Blue Springs***”) is a constitutionally chartered city located in Jackson County, Missouri. Blue Springs was organized in 1904. At the present time, Blue Springs supplies water to approximately 20,500 customers located within the city limits. The customer base is comprised of residential, commercial, and light industrial users.

City of Drexel

The City of Drexel, Missouri (“***Drexel***”) is a fourth class city located in Bates and Cass Counties, Missouri. At the present time, Drexel supplies water to approximately 400 customers located within the city limits. The customer base is comprised of residential, commercial, and light industrial users.

City of Grain Valley

The City of Grain Valley, Missouri (“***Grain Valley***”) is a fourth class city located in eastern Jackson County, Missouri. Grain Valley was organized in 1945. At the present time, Grain Valley supplies water to approximately 5,000 customers located within the city limits. The customer base is comprised of residential, commercial, and light industrial users.

City of East Lynne

The City of East Lynne, Missouri (“***East Lynne***”) is a fourth class city located in Cass County, Missouri. East Lynne has a population of approximately 300.

City of Lake Winnebago

The City of Lake Winnebago, Missouri (“***Lake Winnebago***”) is located in Cass County, Missouri. Lake Winnebago was organized as a Village in 1964 and first began supplying water to its customers in 1968. Lake Winnebago became a fourth class city on November 4, 1975. At the present time, Lake Winnebago supplies water to approximately 500 customers located within the city limits.

City of Pleasant Hill

The City of Pleasant Hill, Missouri (“***Pleasant Hill***”) is located in Cass County, Missouri. The City of Pleasant Hill was incorporated in 1857 and first began supplying water to its customers in 1918. At the present time, Pleasant Hill supplies water to approximately 2,800 customers located within the city limits.

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Number of Customers of Largest Water Purchasers

The following table sets forth the approximate number of customers of each of the five current Participating Members with the most current customers for the years indicated:

Number of Customers – Current Five Largest Participating Members by Customer

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Blue Springs	20,197	20,367	20,377	20,477	20,528
Jackson PWSD No. 1 ⁽¹⁾	8,917	8,934	8,953	8,999	9,002
Grain Valley	4,948	4,975	4,998	5,003	5,040
Pleasant Hill	2,770	2,779	2,799	2,807	2,824
Jackson County PWSD No.13	2,024	2,068	2,158	2,267	2,206

⁽¹⁾ Jackson PWSD No. 1 was not a Participating Member during the years shown.

Historical Water Purchases

The following table sets forth the historical water purchases (in thousands of gallons) by each of the current five largest water purchasers from the Corporation for the years indicated:

Historical Water Purchases – Current Five Largest Purchasers (Water in Thousands of Gallons)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Blue Springs	399,526	298,036	443,577	364,410	477,099
Jackson PWSD No. 13	138,340	154,777	181,844	164,425	163,186
Grain Valley	146,419	134,404	155,129	147,456	155,865
Cass PWSD No. 9	144,320	149,448	180,782	157,874	154,027
Jackson PWSD No. 12	49,813	48,077	50,636	48,413	60,310

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The following table sets forth the historical water purchases (in dollars) by each of the five current largest purchasers for the years indicated. The percentages shown are the percentages of all water revenues of the Corporation for the years shown.

Historical Revenues - Current Five Largest Purchasers
(\$ in Thousands)

	<u>2010</u>		<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>	
Blue Springs	\$1,693	27%	\$1,564	25%	\$1,847	27%	\$1,741	27%	\$1,944	29%
Grain Valley	1,094	18	1,095	18	1,132	17	1,136	17	1,159	17
Jackson PWSD No. 13	909	15	979	16	1,083	16	1,004	16	1,010	15
Cass PWSD No. 9	936	15	951	15	1,088	16	1,000	16	967	15
Cass PWSD No. 4	288	5	301	5	345	5	305	5	288	4
Total	\$4,920	80%	\$4,890	79%	\$5,495	80%	\$5,186	81%	\$5,368	81%

Summary Financial Data

The following is a brief summary of certain financial information for each of the four largest Participating Members (based on 2014 water purchases) and Jackson PWSD No. 1, based on information the Corporation has obtained from each of these entities.

	Blue Springs			Grain Valley		
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues	\$ 7,872,377	\$ 7,215,657	\$ 8,063,341	\$4,269,798	\$4,584,635	\$4,944,137
Operating Income (Loss)	(435,319)	(1,256,579)	(736,971)	325,049	108,709	526,429
Net Income (Loss)	(396,719)	(1,222,886)	(699,254)	103,973	(81,386)	509,892
Year-End Net Assets	<u>\$27,868,052</u>	<u>\$28,093,923</u>	<u>\$27,669,348</u>	<u>\$15,307,551</u>	<u>\$14,956,644</u>	<u>\$15,466,536</u>

	Jackson PWSD No. 13			Cass PWSD No. 9		
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues	\$2,059,382	\$2,084,299	\$1,990,438	\$1,685,984	1,490,474	\$1,587,527
Operating Income (Loss)	260,209	287,463	508,369	98,238	13,654	144,083
Net Income (Loss)	66,167	225,458	458,023	108,373	24,195	158,397
Year-End Net Assets	<u>\$5,476,302</u>	<u>\$5,701,760</u>	<u>\$6,159,783</u>	<u>\$4,955,987</u>	<u>\$4,980,183</u>	<u>\$5,138,579</u>

	Jackson PWSD No. 1		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues	\$5,522,975	\$5,564,085	\$6,108,457
Operating Income (Loss)	755,951	1,058,406	1,324,858
Net Income (Loss)	906,502	1,552,062	1,439,508
Year-End Net Assets	<u>\$20,040,931</u>	<u>\$21,592,993</u>	<u>\$23,032,501</u>

THE WATER PURCHASE CONTRACTS

The following describes certain aspects of the Water Purchase Contracts between the Corporation and each of the Participating Members. Reference is made to those Water Purchase Contracts for the complete terms thereof. Any contracts entered into in the future may be upon terms which differ from those described below.

The Water Purchase Contracts contain take or pay provisions requiring all Participating Members, except Jackson PWSO No. 1, Blue Springs and Grain Valley to purchase a minimum amount of water per year. Jackson PWSO No. 1, Blue Springs and Grain Valley are each required to fund 100% of debt service payments attributed to projects for their respective benefit regardless of the amount of water purchased. See **“THE CORPORATION – Revenue and Rate Structure.”** Nine Participating Members have entered into sole source contracts with the Corporation, which require the Participating Member to obtain water exclusively from the Corporation and do not contain contractual increases in their minimum purchases. A Participating Member that is not a sole source purchaser may increase its actual average daily usage during any year from that during the preceding year, but the increase may not be in excess of twice that Participating Member’s average increase in actual average daily usage determined during the previous 10 calendar years, unless prior written notice of the amount of the greater increase is given to the Corporation.

If the amount of actual water purchases of any Participating Member that is a public water supply district is reduced by reason of the involuntary detachment of any portion of the public water supply district, the minimum water purchases for that public water supply district may be reduced by the average daily usage of the customers within the area detached determined for the last completed contract year if an equal amount is agreed to be purchased by other Participating Members. Each Participating Member under its respective Water Purchase Contract agrees to provide a water user agreement with its customers to be signed by each new user after the date of the original Water Purchase Contract. That agreement provides, among other things, that the user will not sign a petition or cooperate with or encourage the filing of a petition to cause any part of the public water supply district to be detached or excluded from any public water supply district to be served in lieu thereof by any municipal corporation.

The Water Purchase Contracts provide that they are not to be construed to prevent any purchaser from acquiring a water supply from an alternative source during the existence of any emergency conditions, during which emergency the Corporation is unable to fulfill the purchaser’s needs under the Water Purchase Contract. In that event, the Participating Member is not relieved of its obligation to make the minimum payments under the Water Purchase Contract.

The obligation of the Participating Members to make payments under their respective Water Purchase Contracts is limited to revenues from the Participating Member’s waterworks system or combined waterworks and sewer system. The Participating Members are not obligated to levy a tax for the purpose of paying to the Corporation any amount due under the Water Purchase Contracts. The Participating Members agree under the Water Purchase Contracts that they will, or will take all necessary action to, establish, maintain and collect rates and charges for the water works services for its waterworks system so as to provide revenues at least sufficient, together with available reserves, to enable the Participating Member to make all payments required by it under the Water Purchase Contract and to pay all other lawful charges or liens on the revenues of its waterworks system.

If any Participating Member fails to perform any obligation under its Water Purchase Contract, the Corporation, has, in addition to any other rights or remedies it may have under law, the following rights and remedies: (1) the Corporation may bring suit, action or proceedings in law or in equity as may be necessary and appropriate to enforce any obligation for which provision is made in its Water Purchase Contract or to collect amounts due pursuant to the Water Purchase Contract; (2) if such failure continues for 15 days following written notice to such Participating Member, and upon 10 days’ written notice to such Participating Member, cease and discontinue delivering water so long as such failure shall continue; provided, however, that

any such cessation and discontinuance shall not relieve such Participating Member of any obligation under such Water Purchase Contract, including the obligation to pay minimum amounts becoming due on and after the date of such cessation and discontinuance; and (3) whether or not the Corporation ceases delivering water pursuant to clause (2) above, if such failure continues for six months following written notice the Corporation may, upon written notice to such Participating Member, terminate the Water Purchase Contract; provided, however, that any such termination will not relieve the Participating Member of the obligation to pay any amount required to be paid under the Water Purchase Contract with respect to any month ending on or prior to such termination and for the month in which termination occurs, without proration.

LITIGATION

The Authority

To the knowledge of the Authority there is no legal action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body for which the Authority has been served with process or official notice or threatened against or affecting the Authority or any reasonable basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by this Official Statement or the validity of the Series 2015 Bonds, the Indenture, the Loan Agreement or any agreement or instrument to which the Authority is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement, and no member, employee or agent of the Authority has been served with any legal process regarding such legal action, litigation or other proceeding.

The Corporation

To the knowledge of the Corporation there is no legal action, suit proceeding, inquiry or investigation at law or in equity before or by any court, public board or body for which the Corporation has been served with process or official notice or threatened against or affecting the Corporation or any reasonable basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by this Official Statement or the validity of the Series 2015 Bonds, the Indenture, the Loan Agreement or the Water Purchase Contracts or any agreement or instrument to which the Corporation is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement, and no member, employee or agent of the Corporation has been served with any legal process regarding such legal action, litigation or other proceeding.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Series 2015 Bonds by the Authority are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, whose approving opinion will be delivered with the Series 2015 Bonds. Certain legal matters will be passed upon for the Authority by its counsel, Lewis Rice LLC, St. Louis, Missouri; and for the Corporation by Crouch, Spangler & Douglas, Harrisonville, Missouri. Certain legal matters relating to this Official Statement will be passed upon by Gilmore & Bell, P.C., Kansas City, Missouri.

TAX MATTERS

The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Series 2015 Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2015 Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Missouri, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2015 Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2015 Bonds.

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law existing as of the issue date of the Series 2015 Bonds:

Federal and Missouri Tax Exemption. The interest on the Series 2015 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Missouri.

Alternative Minimum Tax. Interest on the Series 2015 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bank Qualification. The Series 2015 Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Bond counsel’s opinions are provided as of the date of the original issue of the Series 2015 Bonds, subject to the condition that the Authority and the Corporation comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2015 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Authority and the Corporation have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2015 Bonds in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Series 2015 Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2015 Bonds but has reviewed the discussion under the heading “TAX MATTERS.”

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount (“OID”) is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is the first price at which a substantial amount of the Series 2015 Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond

during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

Original Issue Premium. If a Bond is issued at a price that exceeds the stated redemption price at maturity of the Bond, the excess of the purchase price over the stated redemption price at maturity constitutes "premium" on that Bond. Under Section 171 of the Code, the purchaser of that Bond must amortize the premium over the term of the Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of Series 2015 Bonds. Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Bond. To the extent a Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2015 Bonds, and to the proceeds paid on the sale of the Series 2015 Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Series 2015 Bonds should be aware that ownership of the Series 2015 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2015 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2015 Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2015 Bonds, including the possible application of state, local, foreign and other tax laws.

FINANCIAL STATEMENTS

The Corporation

The financial statements of the Corporation and for the years ended December 31, 2013 and 2014, are included as *Appendix A* to this Official Statement. Such financial statements have been audited by Troutt, Beeman & Co., P.C., certified public accountants, to the extent and for the periods indicated in their report which also appears in *Appendix A*. The financial statements of the Corporation have been prepared in conformity with practices utilized by the water utility industry, which is a comprehensive basis of accounting other than generally accepted accounting principles, as described Note 1 of the Notes to Financial Statements included in *Appendix A*.

The Participating Members

Certain unaudited summary financial information for the four Participating Members that were the largest purchasers of water from the Corporation in 2014 and Jackson PWSD No. 1 is included under the caption **“THE PARTICIPATING MEMBERS – Summary Financial Data.”**

The following audited financial statements of each of the four largest Participating Members and Jackson PWSD No. 1 have been filed with the Municipal Securities Rulemaking Board and are available on the MSRB website at www.emma.msrb.org linked to the Series 2010 Bonds:

- Cass PWSD No. 9 for the year ended December 31, 2014 and the preceding four years;
- Grain Valley for the year ended December 31, 2014 and the preceding four years;
- Jackson PWSD No. 13 for the year ended December 31, 2013 and the preceding three years;
- Blue Springs for the fiscal year ended September 30, 2014 and the preceding four fiscal years; and
- Jackson PWSD No. 1 for the fiscal year ended October 31, 2014 and the preceding four fiscal years.

These audited financial statements are available from the Corporation upon the request of any prospective purchaser of the Series 2015 Bonds in the initial offering thereof. Requests for these audited financial statements should be directed to the Underwriter.

CONTINUING DISCLOSURE

The Corporation and UMB Bank, N.A. are entering into the Continuing Disclosure Agreement for the benefit of the owners and Beneficial Owners of the Series 2015 Bonds and in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the **“Rule”**). The Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under the Continuing Disclosure Agreement, and has no liability to any person, including any owner or Beneficial Owner of the Series 2015 Bonds, with respect to the Rule.

Pursuant to the Continuing Disclosure Agreement, the Corporation will cause the Dissemination Agent (initially the Trustee) to, not later than **180** days after the end of the Corporation’s fiscal year, provide to the Municipal Securities Rulemaking Board (**“MSRB”**), the following financial information and operating data (the **“Annual Report”**):

- (1) The audited financial statements of the Corporation for the prior fiscal year, prepared in conformity with practices utilized by the water utility industry, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, or in accordance with accounting principles generally accepted in the United States of America.

- (2) The audited financial statements of the four Participating Members that were the largest purchasers (in dollars) of water from the Corporation in the preceding fiscal year. If audited financial statements of the Corporation or any of the Participating Members are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited summary financial statements in a format similar to the summary financial statements contained in this Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available.
- (3) Updates as of the end of the fiscal year of the following financial information and operating data contained in this Official Statement in substantially the same format contained in this Official Statement:
 - (a) “THE CORPORATION – Participating Members and Minimum Required Water Purchases;”
 - (b) “THE PARTICIPATING MEMBERS – Number of Customers of Largest Water Purchasers;” and
 - (c) “THE PARTICIPATING MEMBERS – Historical Water Purchases.”

Pursuant to the Continuing Disclosure Agreement, the Corporation also will give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Series 2015 Bonds, if material (“**Material Events**”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- modifications to rights of bondowners;
- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2015 Bonds, or other material events affecting the tax status of the Series 2015 Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2015 Bonds, if material;
- (11) rating changes;

- (12) bankruptcy, insolvency, receivership or similar event of the Corporation; or
- (13) the consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

The Dissemination Agent has agreed to report failure of the Corporation to file an Annual Report with the MSRB for any fiscal year by the deadline for the filing prescribed above.

If the Dissemination Agent has been instructed by the Corporation to report the occurrence of a Material Event, the Dissemination Agent will promptly file a notice of such occurrence with the MSRB, but no later than 10 business days after the occurrence, with the Municipal Securities Rulemaking Board with a copy to the Corporation.

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

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

In the event of a failure of the Corporation or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Dissemination Agent may (and, at the request of the Underwriter or the owners of at least 25% aggregate principal amount of Outstanding Bonds, will), or any owner or Beneficial Owner of the Series 2015 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Corporation 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 is not an event of default under the Indenture or the Loan Agreement, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Corporation or the Dissemination Agent to comply with the Continuing Disclosure Agreement is an action to compel performance.

Electronic Municipal Market Access System (EMMA)

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

Past Continuing Disclosure Compliance

The Corporation made a similar undertaking with respect to the Series 2010 Bonds to provide certain information to the MSRB through EMMA. While the Corporation has submitted its audited financial statements on EMMA, not all financial statements were timely filed and the Corporation has failed to submit operating data for the Corporation and audited financial statements for certain Participating Members as required by such prior undertaking. The Corporation has recently submitted to the MSRB the Corporation's audited financial statements for the year ended December 31, 2014, certain operating data of the Corporation (which is included in this Official Statement) and the past five years of audited financial statements of Blue Springs, Grain Valley, and Cass PWSD No. 9 and the past four years of audited financial statements of Jackson PWSD No. 13. These recent filings are available to holders of the Outstanding Bonds and prospective purchasers of the Series 2015 Bonds on EMMA linked to the Series 2010 Bonds. The Corporation, the Authority and the Underwriter assume no responsibility for the audited financial statements of any Participating Members that have been submitted by the Corporation to the MSRB in accordance with its prior continuing disclosure undertaking. Those financial statements are solely the responsibility of the respective Participating Members and are not incorporated by this reference into this Official Statement.

The Authority has no obligation to monitor or otherwise provide information to the MSRB with respect to the Series 2010 Bonds and is making no such undertaking with respect to the Series 2015 Bonds.

BOND RATING

Moody's Investors Service, Inc. ("**Moody's**") has assigned its municipal bond rating to the Series 2015 Bonds as shown on the cover page. Such rating reflects only the views of that organization at the time the rating was given, and the Authority, the Underwriter and the Corporation make no representation as to the appropriateness of that rating. An explanation of the significance of such rating may be obtained only from such rating agency. The Corporation furnished the rating agency with certain information and materials relating to the Series 2015 Bonds and the Corporation that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that the rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant.

The Authority, the Underwriter and the Corporation have not undertaken any responsibility to bring to the attention of the holders of the Series 2015 Bonds any proposed revision or withdrawal of a rating of the Series 2015 Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of such a rating could have an adverse effect on the market price and marketability of the Series 2015 Bonds.

The rating assigned by Moody's to the Series 2015 Bonds was based on Moody's global rating scale. Moody's is in the process of recalibrating all its municipal bond ratings from the U.S. municipal rating scale to the global scale. For further details regarding the recalibration please visit www.moody.com/gsr.

UNDERWRITING

The Series 2015 Bonds are being purchased for reoffering by the Underwriter. The Underwriter has agreed to purchase the Series 2015 Bonds at an aggregate purchase price of \$32,270,333.70 (which takes into account an underwriter's discount of \$270,630.00 and net original issue premium of \$2,470,963.70). The Bond Purchase Agreement with respect to the Series 2015 Bonds provides that the Underwriter will purchase all of the Series 2015 Bonds if any are purchased.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Series 2015 Bonds. Under the agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray & Co.

Piper Jaffray & Co. has entered into a distribution agreement with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the distribution agreement, CS&Co. will purchase the Series 2015 Bonds from Piper Jaffray & Co. at the original issue price less a negotiated portion of the selling concession applicable to any of the Series 2015 Bonds that CS&Co. sells.

The Underwriter intends to offer the Series 2015 Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2015 Bonds to the public. The Underwriter may offer and sell Series 2015 Bonds to certain dealers (including dealers depositing Series 2015 Bonds into investment trusts) at prices lower than the public offering prices. In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Series 2015 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Corporation has agreed to indemnify the Underwriter against certain civil liabilities, including certain liabilities under the federal securities laws.

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MISCELLANEOUS

The references herein to the Act, the Indenture, the Loan Agreement, the Mortgage, the Continuing Disclosure Agreement, and the Water Purchase Contracts are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of the provisions thereof, reference is made to the Act, the Indenture, the Loan Agreement, the Mortgage, the Continuing Disclosure Agreement and the Water Purchase Contracts. Copies of such documents are on file at the offices of the Underwriter and following delivery of the Series 2015 Bonds will be on file at the office of the Trustee.

The agreement of the Authority with the owners of the Series 2015 Bonds is fully set forth in the Indenture, and neither any advertisement of the Series 2015 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2015 Bonds. Statements made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact.

The cover page hereof and the Appendices hereto are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The Corporation has supplied and reviewed the information contained herein which relates to its property and operations and has approved all such information for use within this Official Statement.

The execution and delivery of this Official Statement has been duly authorized by the Corporation, and its use has been approved by the Authority.

The use of this Official Statement has been duly authorized by the Authority.

TRI-COUNTY WATER AUTHORITY

By: /s/ Robert Albers
President, Board of Directors

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND AUDITED FINANCIAL STATEMENTS

TRI-COUNTY WATER AUTHORITY

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

TRI-COUNTY WATER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tri-County Water Authority

We have audited the accompanying balance sheets of Tri-County Water Authority (a nonprofit corporation), as of December 31, 2014 and 2013, and the related statements of revenues and expenses, changes in fund equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices utilized by the water utility industry, which is a comprehensive basis of accounting other than generally accepted accounting principles for not for profit entities.

Management is also responsible for 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the corporation's preparation and fair presentation of the financials 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 corporation'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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tri-County Water Authority as of December 31, 2014 and 2013, and the results of its operations and cash flows for the years then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describe the basis of accounting. The financial statements are prepared in conformity with the accounting practices utilized by the water utility industry, which is a comprehensive basis of accounting other than generally accepted accounting principles for not for profit entities. Our opinion is not modified with respect to this matter.

Supplemental Information

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Harrisonville, Missouri
March 13, 2015

TRI-COUNTY WATER AUTHORITY

BALANCE SHEETS DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
PROPERTY, PLANT, AND EQUIPMENT:		
Land	\$ 5,831,545	\$ 5,831,545
Source of supply	3,685,937	3,584,652
Raw water transmission	3,562,796	3,452,990
Treatment	18,478,371	18,420,115
Distribution	34,167,612	34,256,175
General plant	527,561	440,036
Construction in progress	<u>2,705,523</u>	<u>118,101</u>
	68,959,345	66,103,614
Less accumulated depreciation	<u>(16,643,934)</u>	<u>(15,182,851)</u>
Net property, plant, and equipment	<u>52,315,411</u>	<u>50,920,763</u>
CURRENT ASSETS:		
Cash	3,497,688	4,613,875
Restricted assets, required for current liabilities	3,356,875	3,445,175
Accounts receivable	665,489	617,067
Capital project receivables	677,947	-
Inventories	164,684	156,695
Prepaid insurance	<u>57,033</u>	<u>53,809</u>
Total current assets	<u>8,419,716</u>	<u>8,886,621</u>
RESTRICTED ASSETS	25,151,123	26,762,914
Less restricted assets required for current liabilities	<u>(3,356,875)</u>	<u>(3,445,175)</u>
Net restricted assets	<u>21,794,248</u>	<u>23,317,739</u>
DEFERRED CHARGES,		
Bond costs (premiums), net of accumulated amortization	<u>(675,150)</u>	<u>(684,261)</u>
	<u>\$ 81,854,225</u>	<u>\$ 82,440,862</u>

See accompanying notes.

TRI-COUNTY WATER AUTHORITY

**BALANCE SHEETS (Continued)
DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<u>FUND EQUITY AND LIABILITIES</u>		
FUND EQUITY:		
Member contributions	\$ 2,052,151	\$ 2,052,151
Fund balance	<u>21,271,226</u>	<u>19,251,576</u>
Total fund equity	<u>23,323,377</u>	<u>21,303,727</u>
LONG-TERM DEBT,		
Bonds payable	<u>33,030,000</u>	<u>35,635,000</u>
Total long-term debt	<u>33,030,000</u>	<u>35,635,000</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS,		
State revolving fund reserve account	<u>20,632,905</u>	<u>21,948,263</u>
CURRENT LIABILITIES:		
Current maturities of long-term debt	2,605,000	2,650,000
Accounts payable	373,403	108,697
Accrued interest expense	751,875	795,175
Capital project advances	<u>1,137,665</u>	<u>-</u>
Total current liabilities	<u>4,867,943</u>	<u>3,553,872</u>
	<u><u>\$ 81,854,225</u></u>	<u><u>\$ 82,440,862</u></u>

See accompanying notes.

TRI-COUNTY WATER AUTHORITY

**STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
WATER REVENUES	\$ 6,640,903	\$ 6,409,097
COST OF SALES:		
Chemicals	388,178	371,941
Salaries and wages	497,555	458,809
Payroll taxes	39,029	34,403
Utilities	551,537	512,916
Repairs and maintenance	281,792	223,655
Supplies	6,354	3,264
Depreciation and amortization	<u>1,520,337</u>	<u>1,510,651</u>
	<u>3,284,782</u>	<u>3,115,639</u>
Gross profit	<u>3,356,121</u>	<u>3,293,458</u>
OPERATING EXPENSES:		
Administration	6,182	4,699
Office supplies	7,976	8,032
Professional fees	200,847	207,819
Insurance	240,599	205,849
Pension contributions	51,808	37,293
Transportation expense	23,050	22,213
Travel	971	969
General taxes	16,003	19,588
Dues and subscriptions	820	1,140
Training and seminars	<u>2,627</u>	<u>4,524</u>
	<u>550,883</u>	<u>512,126</u>
Income from operations	<u>2,805,238</u>	<u>2,781,332</u>
OTHER INCOME (EXPENSE):		
Farm income	64,288	21,426
Interest income	880,378	932,501
Tower lease	27,959	24,894
Loss on disposition of assets	(64,065)	(59,700)
Miscellaneous income	20,452	98,783
Miscellaneous expense	(23,391)	(47,753)
Interest expense	<u>(1,691,209)</u>	<u>(1,810,712)</u>
	<u>(785,588)</u>	<u>(840,561)</u>
Net income	<u><u>\$ 2,019,650</u></u>	<u><u>\$ 1,940,771</u></u>

See accompanying notes.

TRI-COUNTY WATER AUTHORITY

**STATEMENTS OF CHANGES IN FUND EQUITY
DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
MEMBER CONTRIBUTIONS:		
Balance, Beginning of year	\$ 2,052,151	\$ 2,052,151
Current year contributions (repayments)	<u>-</u>	<u>-</u>
Balance, End of year	<u>2,052,151</u>	<u>2,052,151</u>
FUND BALANCE:		
Balance, Beginning of year	19,251,576	17,310,805
Net income	<u>2,019,650</u>	<u>1,940,771</u>
Balance, End of year	<u>21,271,226</u>	<u>19,251,576</u>
Total fund equity	<u><u>\$ 23,323,377</u></u>	<u><u>\$ 21,303,727</u></u>

See accompanying notes.

TRI-COUNTY WATER AUTHORITY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,019,650	\$ 1,940,771
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,520,337	1,510,651
Loss on assets disposition	64,065	59,700
(Increase) decrease in current assets:		
Accounts receivable	(48,422)	(84,997)
Prepaid expenses	(3,224)	(9,105)
Inventories	(7,989)	(11,759)
Increase (decrease) in current liabilities:		
Accounts payable	264,706	(5,036)
Accrued interest expense	(43,300)	(42,825)
Total adjustments	<u>1,746,173</u>	<u>1,416,629</u>
Net cash provided by operating activities	<u>3,765,823</u>	<u>3,357,400</u>
CASH FLOWS FROM INVESTING ACTIVITIES,		
Purchase of fixed assets	<u>(2,988,161)</u>	<u>(371,231)</u>
Net cash used by investing activities	<u>(2,988,161)</u>	<u>(371,231)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of short-term notes payable	-	(925,000)
Increase in capital project advance receivable	(677,947)	-
Increase in capital project advance liability	1,137,665	-
Repayment of long-term debt	(2,650,000)	(2,510,000)
Increase (decrease) in restricted liabilities	<u>(1,315,358)</u>	<u>(1,277,051)</u>
Net cash used by financing activities	<u>(3,505,640)</u>	<u>(4,712,051)</u>
Net decrease in cash	(2,727,978)	(1,725,882)
CASH, Beginning of year	<u>31,376,789</u>	<u>33,102,671</u>
CASH, End of year	<u>\$ 28,648,811</u>	<u>\$ 31,376,789</u>
ALLOCATION OF CASH:		
Unrestricted	\$ 3,497,688	\$ 4,613,875
Restricted	<u>25,151,123</u>	<u>26,762,914</u>
	<u>\$ 28,648,811</u>	<u>\$ 31,376,789</u>

See accompanying notes.

TRI-COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Organization: Tri-County Water Authority (the Authority), is incorporated under the general nonprofit corporation laws of Missouri. The Authority became operational May 8, 1993, and provides water to its members in Cass County, Bates County, and Jackson County, Missouri. Credit is extended to customers in the ordinary course of business.

Cost of construction of the water facility and transmission lines was originally financed by the issuance of Water Facilities Revenue Bonds, a loan from the U.S. Department of Agriculture - Farmers Home Administration, and member contributions.

Basis of Accounting: Accounting method refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The Authority's policy is to prepare its financial statements using the accrual method of accounting. Accordingly, income is recorded as earned and expenses charged as incurred, regardless of the timing of payments.

Presentation of Financial Statements: The Authority is presenting these financial statements in accordance with practices utilized by the water utility industry. Management has elected to adopt this method of financial statement presentation to be more comparable with others in the water industry.

Since the Authority is a nonprofit corporation, the above method of financial statement presentation is not in accordance with generally accepted accounting principles, which would require the Authority to adopt SFAS No. 117, "Financial Statements of Not-for-Profit Organizations," for the years ended December 31, 2014 and 2013.

Cash and Cash Equivalents: For purposes of reporting cash flows, the Authority considers all highly liquid debt instruments purchased with a maturity of less than one year to be cash equivalents.

Allowance for Doubtful Accounts: It is the Authority's policy to use the direct write-off method for accounts deemed to be uncollectible. All accounts are deemed collectible by management. Therefore, an allowance for doubtful accounts has not been established.

Inventories: Inventories of materials and supplies are valued at the lower of cost or market, determined on the first-in, first-out basis.

Property and Equipment: The Authority capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from 5 to 40 years.

TRI-COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred Charges: Costs incurred in obtaining and securing permanent financing are capitalized and recorded as deferred charges. These costs are being amortized, using the straight-line method, over the term of the related bonds payable.

Income Taxes: The Authority is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code based on the determination letter received from the IRS. In addition, in this letter, the Authority has been determined by the IRS not to be a private foundation within the meaning of Section 509(a) of the code. The Authority's 2011-2014 tax years remain subject to examination by the IRS for U.S. federal tax purposes.

Use of Estimates: The preparation of financial statements in conformity with the accounting practices utilized by the water utility industry require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For the years ended December 31, 2014 and 2013, depreciation expense was the most significant estimate prepared by management.

2. RESTRICTED ASSETS:

In accordance with its bond covenants, the Authority has funded required reserve accounts with the Trustee. Included in restricted assets are reserve accounts funded by federal and state monies with balances at December 31, 2014 and 2013, of \$20,632,905 and \$21,948,263, respectively. Also included are State Revolving Loan Fund proceeds to be used for a plant expansion project, with balances at December 31, 2014 and 2013, of \$0 and \$151, respectively. Investments with the Trustee are stated at cost, which approximates fair value. The composition of restricted assets from the State Revolving Loan Fund, and with the Trustee at December 31, 2014 and 2013, consisted of the following:

	2014	2013
State Revolving Fund Series Trust Accounts	\$ 20,695,004	\$ 22,008,889
Money Market	2,799,190	2,791,879
Cash	1,656,929	1,962,146
	<u>\$ 25,151,123</u>	<u>\$ 26,762,914</u>

TRI-COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

2. RESTRICTED ASSETS (Continued):

Under the Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs) Series 2001C Indenture dated November 1, 2001, the Authority is required to make monthly deposits of \$250 into a depreciation and replacement reserve account to a balance of \$23,100. The Authority is also required to deposit monies into a Bond Principal and Interest Fund sufficient to meet maturity dates of bond principal and interest.

Under the Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs) Series 2005A Indenture dated May 19, 2005, the Authority is required to make monthly deposits into a depreciation and replacement reserve account to an annual contribution of \$192,000 and a maximum balance of \$2,762,000. The Authority is also required to deposit monies into a Bond Principal and Interest Fund sufficient to meet maturity dates of bond principal and interest.

Under the Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs) Series 2005C Indenture dated November 1, 2005, the Authority is required to deposit monies into a Bond Principal and Interest Fund sufficient to meet maturity dates of bond principal and interest.

Under the Water Facilities Refunding Revenue Bonds Series 2010 Indenture dated June 1, 2010, the Authority is required to deposit monies into a Bond Principal and Interest Fund sufficient to meet maturity dates of bond principal and interest.

Under the Water Facilities Refunding Revenue Bonds Series 2010 Indenture dated June 1, 2010, a bond reserve fund with a minimum balance of \$1,052,500 is required to be maintained with the Trustee in the event the Authority is unable to meet a principal or interest payment.

At December 31, 2014 and 2013, the Authority was in compliance with these requirements.

3. FAIR VALUE MEASUREMENTS:

Accounting standards require certain assets and liabilities to be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following table presents information about the Authority's assets and liabilities measured at fair value on a recurring basis at December 31, 2014 and 2013, and the valuation techniques used by the Authority to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Authority has the ability to access.

TRI-COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS (Continued):

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are observable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The fair values of the Authority's investments by major asset classes are as follows:

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2014 and 2013:

	<u>Balance at 12/31/2014</u>	<u>Balance at 12/31/2013</u>
Assets - Assets whose use is limited or restricted and investments:		
Cash and money market funds	\$ 4,456,119	\$ 4,754,025
U.S. government securities	<u>20,695,004</u>	<u>22,008,889</u>
Total assets	<u>\$ 25,151,123</u>	<u>\$ 26,762,914</u>

All of the fair values above were determined by Level 1 inputs which use quoted prices in active markets for identical assets.

TRI-COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

4. LONG-TERM DEBT:

Long-term debt obligations at December 31, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
State Revolving Funds Programs Revenue Bonds, Series 2001C, dated November 1, 2001, interest at 3% to 5.375%, payable in semi-annual installments of \$55,000 in 2002, increasing annually and maturing July 1, 2021	\$ 1,050,000	\$ 1,175,000
State Revolving Funds Programs Revenue Bonds, Series 2005A, dated May 19, 2005, interest at 3% to 5%, payable in semi-annual installments of \$660,000 in 2006, increasing annually and maturing July 1, 2025	15,095,000	16,120,000
State Revolving Funds Programs Revenue Bonds, Series 2005C, dated November 1, 2005, interest at 3.25% to 5.25%, payable in semi-annual installments of \$850,000 in 2007, increasing annually and maturing July 1, 2026	11,830,000	12,530,000
Water Facilities Refunding Revenue Bonds, Series 2010, interest at 2.25% to 4%, payable in monthly installments and maturing April 1, 2022	<u>7,660,000</u>	<u>8,460,000</u>
	35,635,000	38,285,000
Less current maturities	<u>2,605,000</u>	<u>2,650,000</u>
	<u>\$ 33,030,000</u>	<u>\$ 35,635,000</u>

All of the Authority's long-term debt is collateralized by receivables, real estate, fixed assets, and water contracts of the Authority.

TRI-COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

4. LONG-TERM DEBT (Continued):

Rates and fees established and charged were sufficient to satisfy bond covenant responsibilities in 2014.

The USDA Rural Development Revenue Bonds proceeds were used in the construction of the year 2000 plant improvements as required in the loan agreement. The State Revolving Funds Programs Revenue Bonds proceeds were used in the construction of the plant expansion project as required by the State Revolving Funds Programs Revenue Bonds indentures.

The Water Facilities Refunding Revenue Bonds, Series 2010, were issued (a) to refinance the USDA Rural Development Revenue Bonds, dated September 1, 1999, (b) to refund the Water Facilities Refunding Revenue Bonds, Series 1999, (c) to fund a debt service reserve fund for the Series 2010 Bonds, and (d) to pay costs related to issuance of the Series 2010 Bonds.

The scheduled maturities of State Revolving Funds Programs Revenue Bonds, Series 2001C at December 31, 2014, are as follows:

<u>Years Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Debt</u> <u>Service</u>
2015	\$ 130,000	\$ 184,619
2016	140,000	187,631
2017	145,000	185,106
2018	150,000	182,313
2019	155,000	179,250
Thereafter	330,000	355,000
	<u>\$ 1,050,000</u>	<u>\$ 1,273,919</u>

TRI-COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

4. LONG-TERM DEBT (Continued):

The scheduled maturities of State Revolving Funds Programs Revenue Bonds, Series 2005A at December 31, 2014, are as follows:

Years Ending December 31,	Principal	Debt Service
2015	\$ 1,070,000	\$ 1,816,726
2016	1,115,000	1,816,250
2017	1,170,000	1,815,500
2018	1,230,000	1,817,000
2019	1,290,000	1,815,500
Thereafter	9,220,000	10,898,750
	<u>\$ 15,095,000</u>	<u>\$ 19,979,726</u>

The scheduled maturities of State Revolving Funds Programs Revenue Bonds, Series 2005C at December 31, 2014, are as follows:

Years Ending December 31,	Principal	Debt Service
2015	\$ 695,000	\$ 1,250,070
2016	680,000	1,207,270
2017	665,000	1,165,070
2018	655,000	1,126,808
2019	640,000	1,077,420
Thereafter	8,495,000	10,439,765
	<u>\$ 11,830,000</u>	<u>\$ 16,266,403</u>

Aggregate annual principal payments and debt service requirements applicable to the Water Facilities Refunding Revenue Bonds, Series 2010 at December 31, 2014, are as follows:

Years Ending December 31,	Principal	Debt Service
2015	\$ 710,000	\$ 991,250
2016	740,000	999,500
2017	765,000	998,100
2018	790,000	992,000
2019	825,000	994,700
Thereafter	3,830,000	4,110,000
	<u>\$ 7,660,000</u>	<u>\$ 9,085,550</u>

TRI-COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

5. RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2014 and 2013, virtually all of the Authority's water revenues in the amounts of \$6,640,903 and \$6,409,097, respectively, and receivables in the amounts of \$665,489 and \$617,067, respectively, were from water districts and municipalities who are represented on the Authority's Board of Directors.

6. CASH FLOW INFORMATION:

During the years ended December 31, 2014 and 2013, the Authority paid cash for interest in the amount of \$1,734,509 and \$1,853,537, respectively.

7. PENSION PLAN:

In 1995, the Authority established a defined contribution pension plan for the benefit of its employees. The plan covers all full-time employees over age twenty-one who have completed one year of continuous service. The annual contribution is at the discretion of the Board, but is intended to be 10% of qualified compensation for the years ended December 31, 2014 and 2013. During the years ended December 31, 2014 and 2013, the Authority contributed \$51,808 and \$37,293, respectively.

8. CONCENTRATION OF CREDIT RISK/ECONOMIC DEPENDENCY:

The Authority's operations are impacted by weather conditions. In an abnormally wet year, the Authority's sales could be adversely affected.

The Authority sells the majority of its water to nine water districts and five municipalities represented on the Authority's Board of Directors. These water districts and municipalities are bound by long-term contracts to purchase minimum annual amounts from the Authority. At December 31, 2014 and 2013, two of these water districts and two of the municipalities purchased approximately 75% of the Authority's water, respectively.

At December 31, 2014 and 2013, virtually all of the Authority's accounts receivable were with the water districts and municipalities represented on the Authority's Board of Directors. In future years, the inability of any of these customers to comply with their contractual amounts could have a materially adverse impact on the financial condition of the Authority.

9. RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation, and natural disasters for which the Authority carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year.

TRI-COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

10. LEGAL MATTERS:

There is the potential for the Authority to be a defendant in various lawsuits arising from normal business activities. The Authority's management and legal counsel believe that the potential claims against the Authority not covered by insurance, if any, resulting from such matters, would not materially affect the financial position of the Authority.

11. CAPITAL PROJECT ADVANCES:

The Authority received contributions from local water municipalities during 2014 for the future expansion of the plant and distribution lines. The amount received during 2014 totaled \$1,137,665. The Authority intends to reimburse the contributions once financing for the expansion has been received.

12. COMMITMENTS:

In January 2014 the Authority approved a \$75 million expansion project, which will double the capacity of the plant. The Authority intends to finance the project with approximately \$33 million in State Revolving Funds and the remaining cost of the project with conventional financing. The Authority was approved for State Revolving Funds by the Missouri Department of Natural Resources in January 2015.

13. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 13, 2015, which is the date the financial statements were available to be issued.

In March 2015, Jackson County Public Water Supply District #1 approved entering into a water purchase contract with the Authority to purchase approximately 638 million gallons of water per year beginning in 2017 or 2018.

TRI-COUNTY WATER AUTHORITY
SUPPLEMENTAL INFORMATION

TRI-COUNTY WATER AUTHORITY

TEN YEAR TREND SCHEDULE
DECEMBER 31, 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Unrestricted cash	\$ 1,988,979	\$ 1,816,135	\$ 3,471,843	\$ 3,280,768	\$ 4,154,191	\$ 5,214,309	\$ 5,554,528	\$ 1,476,027	\$ 4,613,875	\$ 3,497,688
Restricted cash	3,352,860	4,137,479	4,798,567	5,168,512	4,209,399	4,084,572	4,186,296	4,145,020	4,814,500	4,456,119
State reserve funds:										
Construction	26,408,669	11,600,326	7,628,655	6,193,331	4,686,590	4,348,023	4,256,311	4,256,310	151	-
Reserves	10,186,639	22,479,918	24,017,796	23,805,946	24,041,511	25,722,999	24,486,561	23,225,314	21,948,263	20,695,004
Current assets	4,388,924	5,955,230	7,202,458	7,265,724	8,135,609	9,406,219	9,673,463	5,545,737	8,886,621	8,419,716
Property, plant, & equipment	38,349,396	51,935,757	55,547,919	57,135,973	58,861,160	59,192,968	59,728,762	65,814,617	66,103,614	68,959,345
Total assets	75,258,976	86,765,549	88,734,952	87,698,630	86,580,251	87,683,399	85,867,759	85,260,003	82,440,862	81,854,225
Current liabilities	4,154,275	3,836,138	3,931,939	4,346,332	3,447,314	3,487,619	3,483,449	4,386,733	3,553,872	4,867,943
Long-term debt	55,035,811	52,806,297	50,668,727	48,460,727	46,215,178	43,260,000	40,795,000	38,285,000	35,635,000	33,030,000
Fund equity	5,882,251	7,643,196	10,116,490	11,085,625	12,876,248	15,212,781	17,102,749	19,362,956	21,303,727	23,323,377
Water revenue	2,861,473	4,412,956	5,813,015	5,939,427	6,149,584	6,168,984	6,172,701	6,842,962	6,409,097	6,640,903
Cost of sales	1,245,517	1,521,008	2,348,080	2,655,325	2,687,381	2,824,702	2,889,964	3,050,528	3,115,639	3,284,782
Gross profit	1,615,956	2,891,948	3,464,935	3,284,102	3,462,203	3,344,282	3,282,737	3,792,434	3,293,458	3,356,121
Gross profit % of water revenue	56.47%	65.53%	59.61%	55.29%	56.30%	54.21%	53.18%	55.42%	51.39%	50.54%
Operating expenses	169,750	293,778	362,027	418,407	402,829	422,093	444,814	453,277	512,126	550,238
Operating expenses % of water revenue	5.93%	6.66%	6.23%	7.04%	6.55%	6.84%	7.21%	6.62%	7.99%	8.29%
Income from operations	1,446,206	2,598,170	3,102,908	2,865,695	3,059,374	2,922,189	2,837,923	3,339,157	2,781,332	2,805,238
Interest expense	1,633,341	2,654,281	2,526,850	2,510,546	2,418,155	2,156,935	1,969,866	1,880,982	1,810,712	1,691,209
Net income (loss)	386,940	1,730,453	2,473,294	1,650,306	1,726,046	2,336,533	1,869,968	2,260,207	1,940,771	2,019,650
Water rate per 1,000 gallons	4.700	4.750	4.700	4.700	4.700	4.500	4.350	4.400	4.400	4.400
Gallons sold in thousands	643,091	775,989	1,147,317	1,142,809	1,129,394	1,152,927	1,100,447	1,348,873	1,177,493	1,306,994

APPENDIX B

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

DEFINITIONS OF WORDS AND TERMS

In addition to words and terms defined elsewhere in this Official Statement, the following are definitions of certain words and terms used in the Indenture, Loan Agreement, Deed of Trust, Mortgage and Security Agreement and this Official Statement unless the context clearly otherwise requires. Reference is hereby made to the Indenture, the Loan Agreement and the Deed of Trust, Mortgage and Security Agreement for complete definitions of all terms.

“Accountant” shall mean Troutt, Beeman & Company, P.C. or an individual certified public accountant or a firm of independent certified public accountants, selected by the Corporation and acceptable to the Trustee, which individual or firm shall have no interest, direct or indirect, in the Corporation and, in the case of an individual, shall not be a director, officer or employee of the Corporation and, in the case of a firm, shall not have a partner, member, director, officer or employee who is a director, officer or employee of the Corporation.

“Accountant’s Certificate” shall mean a certificate, report or opinion prepared and executed by an Accountant.

“Act” shall mean Sections 260.005 to 260.125, inclusive of the Revised Statutes of Missouri, as from time to time amended and Appendix B(1) thereto.

“Additional Bonds” shall mean any additional parity Bonds issued by the Authority pursuant to the Indenture.

“Additional Indebtedness” shall mean any Indebtedness incurred or assumed by the Corporation subsequent to the date this Indenture and the Loan Agreement are executed and delivered.

“Additional Notes” shall mean any additional parity Notes issued by the Corporation to the Authority, pursuant to **Section 6.1** of the Loan Agreement, in connection with the issuance of Additional Bonds by the Authority.

“Additional Obligations” shall mean any Indebtedness of the Corporation, other than the Notes issued or incurred by the Corporation pursuant to the Loan Agreement, and secured on a parity with the Notes, which obligations may be issued to any Person including Persons other than the Authority.

“Additional Payments” shall mean those payments required to be made by the Corporation pursuant to the Loan Agreement.

“Additional Project” shall mean any “water facilities” as defined in the Act to be financed or refinanced out of the proceeds of Additional Bonds or Additional Obligations.

“Affiliate” shall mean any Person which “controls,” or is “controlled” by, or is under common “control” with, the Corporation. For purposes of this definition, a Person “controls” another entity when the first Person possesses or exercises directly, or indirectly through one or more other affiliates or related entities, not less than 50% of the power to direct the management and policies of the other Person, whether through the ownership of voting rights, membership, the power to appoint members or directors, by contract or otherwise.

“Authorized Denominations” shall mean \$5,000 or any integral multiple thereof.

“Authority Representative” shall mean the Chairman, Vice Chairman, Secretary or Assistant Secretary of the Authority, and such other person or persons at the time designated to act on behalf of the Authority in matters relating to the Loan Agreement and this Indenture.

“Average Annual Debt Service” shall mean shall mean the average amount of Debt Service as computed with respect to the then-current Fiscal Year and all future Fiscal Years during which any Bonds remain outstanding.

“Bond”, “Bonds” or “Series of Bonds” shall mean any bond or bonds, including the Series 2015 Bonds and Additional Bonds, authenticated and delivered under and pursuant to this Indenture.

“Bond Counsel” shall mean Gilmore & Bell, P.C., or other legal counsel selected by the Corporation and satisfactory to the Authority who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers and the exclusion from gross income for purposes of federal income taxation of interest on such obligations.

“Bond Documents” shall mean this Indenture, the Bonds, the Loan Agreement, the Notes, the Mortgage, the Tax Compliance Agreement, the Continuing Disclosure Agreement, Bond Purchase Contract and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing.

“Bond Purchase Contract” shall mean the Bond Purchase Contract among the Authority, the Original Purchaser, and the Corporation.

“Bond Register” shall mean the registration books of the Authority kept by the Trustee to evidence the registration and transfer of Bonds.

“Bond Registrar” shall mean the Trustee when acting as such, and any other bank or trust company designated and at the time serving as bond registrar under this Indenture.

“Bondowner”, “Owner” or “Registered Owner” shall mean the Person in whose name a Bond is registered on the Bond Register.

“Book Value” shall mean, when used in connection with Property of the Corporation, that value of such Property, net of accumulated depreciation, as it is carried on the books of account of the Corporation and in conformity with accounting principles generally accepted in the United States of America.

“Business Day” shall mean a day on which the Trustee or any Paying Agent shall be scheduled in the normal course of its operations to be open to the public for conduct of its banking operations.

“Capitalized Lease” shall mean a lease required to be capitalized under accounting principles generally accepted in the United States of America.

“Closing Date” for the purpose of the Series 2015 Bonds, shall mean the date of delivery of and payment for the Series 2015 Bonds.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and, when appropriate, any statutory predecessor or successor thereto, and all applicable regulations (whether proposed, temporary or final) thereunder and any applicable official rulings, announcements, notices, procedures and judicial determinations relating to the foregoing applicable to the Bonds.

“Commitment Indebtedness” shall mean the obligation of any Person to repay amounts disbursed pursuant to a commitment from a credit provider to pay or refinance when due, or to purchase when tendered for purchase by the holder thereof, other Indebtedness of such Person, which other Indebtedness was incurred in accordance with the provisions of the Loan Agreement, and may include interest and any fees or costs, including costs of enforcement, indemnity, supplemental or other payments to such credit provider.

“Consultant” shall mean Piper Jaffray & Co. or an individual or firm selected by the Corporation and acceptable to the Authority, qualified to pass upon questions relating to the financial affairs of organizations engaged in like operations to those of the Corporation and having a favorable reputation for skill and experience in such financial affairs, which individual or firm shall have no interest, direct or indirect, in the Corporation and, in the case of an individual, shall not be a director, officer or employee of the Corporation, and in the case of a firm, shall not have a partner, member, director, officer or employee who is a director, officer or employee of the Corporation.

“Corporation Representative” shall mean the President, any Vice-President, General Manager or Secretary of the Corporation or other person or persons at the time designated to act on behalf of the Corporation in matters relating to the Loan Agreement and this Indenture.

“Costs of the Project” means costs permitted under the Act to be paid out of proceeds of Bonds with respect to the Project, including the total of all reasonable or necessary expenses incidental to the acquisition, construction, reconstruction, repair, alteration, improvement and extension of the Project.

“Counsel” shall mean legal counsel acceptable to the Corporation and the Trustee and, to the extent the Authority is asked to take action in reliance thereon, the Authority, who may be an employee of or counsel to the Corporation.

“Current Value” shall mean (a) with respect to Property, Plant and Equipment: (1) the aggregate fair market value of such Property, Plant and Equipment as reflected in the most recent written report of an appraiser acceptable to the Trustee and, in the case of real property, who is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Trustee (which report shall be dated not more than three years prior to the date as of which Current Value is to be calculated); plus (2) the Book Value of any Property, Plant and Equipment acquired since the last such report; minus (3) the greater of the Book Value or the fair market value (as reflected in such most recent appraiser’s report) of any Property, Plant and Equipment disposed of since the last such report, and (b) with respect to any other Property the fair market value of such Property as determined by a consultant not an employee of the Corporation.

“Debt Service” shall mean the aggregate principal payments (whether at maturity or pursuant to sinking fund redemption requirements), net interest or interest like payments and other payments of the Corporation on the Series 2015 Note, Additional Notes, Additional Obligations and other Outstanding Long-Term Indebtedness for the period of time for which calculated; provided, however, that for purposes of calculating such amount principal and interest shall be excluded from the determination of Debt Service to the extent that such principal or interest is payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with the Trustee or another Person approved by the Trustee.

“Debt Service Coverage Ratio” shall mean the ratio of Net Revenues Available for Debt Service for the period or periods of calculation to the Average Annual Debt Service.

“Defaulted Interest” shall mean interest on any Bond of any series which is payable but not paid on the date due.

“Defeasance Obligations” means United States Government Obligations which are not subject to redemption in advance of their maturity dates.

“Encumbrance” shall mean any mortgage of, security interest in, deed of trust, lien, charge or encumbrance on or pledge of Property of the Corporation or any part thereof.

“Engineer” shall mean HDR, Inc. or an engineer or firm of engineers selected by the Corporation and acceptable to the Authority, and licensed by or permitted to practice in the State, which engineer or firm of engineers shall have no interest, direct or indirect, in the Corporation and, in the case of an individual, shall not be a director, officer or employee of the Corporation and, in the case of a firm, shall not have a partner, member, director, officer or employee who is a director, officer or employee of the Corporation; it being understood that an arm’s-length contract with the Corporation for the performance of engineering services shall not in and of itself be regarded as creating an interest in or an employee relationship with such entity and that the term “Engineer” may include an engineer or a firm of engineers who otherwise meet the requirements of this definition and who also are under contract to construct the facility that they have designed.

“Event of Default” shall mean (a) with respect to this Indenture any event or occurrence as defined in the Indenture, (b) with respect to the Loan Agreement any event or occurrence as defined in the Loan Agreement, and (c) with respect to the Mortgage, failure to comply with any of the provisions thereof.

“Facility” shall mean the water facilities of the Corporation located primarily at the end of Blue Valley Road in the Atherton Bottoms near the confluence of the Missouri River and the Little Blue River in Jackson County, Missouri, including the Site, all buildings, improvements and fixtures existing or to be constructed on the Site, any easements, rights-of-way, additional distribution or storage facilities related to the operation of the Corporation’s water facilities, and any machinery, equipment and other Property owned by the Corporation on the Closing Date or thereafter.

“Fiscal Year” shall mean any period beginning on January 1 of any calendar year and ending on December 31 of the same year or such other twelve month period selected by the Corporation as its fiscal year for financial reporting purposes.

“Guaranty” shall mean all obligations of the Corporation guaranteeing or in effect guaranteeing any indebtedness or other obligation of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, which indebtedness or other obligation would constitute Indebtedness if such Person was the Corporation.

“Indebtedness” shall mean the Notes and all other obligations appearing as liabilities on the balance sheet for the payment of moneys incurred or assumed by the Corporation, all as determined in accordance with accounting principles generally accepted in the United States of America, consistently applied, and Guaranties, except that Indebtedness shall not include any continuing obligation of the Corporation to pay principal of and interest on Indebtedness that is deemed to be discharged or defeased in accordance with the terms of the instrument or instruments creating or evidencing such Indebtedness, as the case may be.

“Insurance Consultant” shall mean Mike Keith Insurance Agency or an individual or firm selected by the Corporation and acceptable to the Authority, qualified to survey risks and to recommend insurance coverage for organizations engaged in like operations to those of the Corporation and having a favorable reputation for skill and experience in such surveys and such recommendations, and, in the case

of an individual, shall not be a director, officer or employee of the Corporation, and in the case of a firm, shall not have a partner, member, director, officer or employee who is a director, officer or employee of the Corporation and who may be a broker or agent with whom the Corporation transacts business.

“Interest Payment Date” shall mean (a) with respect to the Series 2015 Bonds, January 1 and July 1 of each year, beginning on January 1, 2016; and (b) with respect to any series of Additional Bonds, the dates specified in the Supplemental Indenture authorizing such series of Bonds.

“Irrevocable Deposit” shall mean the irrevocable deposit in trust or in escrow of cash in an amount (or Defeasance Obligations the principal of and interest on which will be in an amount) and under terms sufficient to pay all or a portion of the principal of and interest on, as the same shall become due, any Indebtedness which would otherwise be considered Outstanding. The trustee of such deposit may be the Trustee or any other Person authorized to act in such capacity.

“Issuance Costs” shall mean issuance costs with respect to the Bonds described in Section 147(g) of the Code and any regulations thereunder.

“Loan Payments” shall mean the payments of principal and interest on the Series 2015 Note and any Additional Notes referred to in the Loan Agreement.

“Long-Term Indebtedness” shall mean Indebtedness having an original maturity greater than one year or renewable or extendible at the option of the debtor for a period greater than one year from the date of original issuance or incurrence thereof.

“Maximum Interest Rate” shall mean, with respect to the Bonds, the highest rate of interest on any of the Bonds at the time of determination.

“Moody’s” shall mean Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

“Mortgaged Property” shall mean the property described in the Granting Clauses of the Mortgage.

“Mortgage Trustee” shall mean the individual initially named in and serving as Mortgage Trustee under the Mortgage and any successor or successors thereto.

“Net Proceeds” when used with respect to any insurance or condemnation award, shall mean the gross proceeds from the insurance or condemnation award with respect to which the term is used less all expenses (including attorneys’ fees and any expenses of the Authority or the Trustee) incurred in the collection of such gross proceeds.

“Net Revenues Available for Debt Service” shall mean, as to any period of time, all Revenues of the Corporation minus Total Expenses of the Corporation other than depreciation, amortization and interest.

“Non-Recourse Indebtedness” shall mean any Indebtedness secured by a mortgage, lien or security interest, liability for which is effectively limited to the Property subject to such Encumbrance with no recourse to any other Property of the Corporation.

“Notes” shall mean the Series 2015 Note and any Additional Notes.

“Officer’s Certificates” shall mean a written certificate signed by a Corporation Representative, which certificate shall be deemed to constitute a representation of, and shall be binding upon, the Corporation with respect to matters set forth therein.

“Official Statement” shall mean the Official Statement dated June __, 2015, relating to the Series 2015 Bonds.

“Original Purchaser” shall mean the purchaser who agrees to purchase the Bonds pursuant to the Bond Purchase Contract.

“Outstanding” shall mean:

(a) when used with reference to Bonds, as of a particular date, all Bonds theretofore authenticated and delivered, except:

(1) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation pursuant to the Indenture;

(2) Bonds which are deemed to have been paid in accordance with the Indenture;

(3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture; and

(4) for purposes of any consent or other action to be taken by the Owners of a specified percentage of Bonds under this Indenture or the Loan Agreement, Bonds owned or held by or for the account of the Authority, the Corporation or any Person controlling, controlled by or under common control with either of them; and

(b) when used in connection with Indebtedness other than Bonds, all Indebtedness except Indebtedness with respect to which the obligation to make payments has been discharged in accordance with the terms of the instrument or instruments creating or evidencing such Indebtedness.

“Outstanding Parity Obligations” shall mean (1) the State Environmental Improvement and Energy Resources Authority Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs), Series 2005C and the related promissory note dated November 30, 2005 from the Corporation to the Authority in the original principal amount of \$17,625,000; (2) the State Environmental Improvement and Energy Resources Authority Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs), Series 2005A and the related promissory note dated May 1, 2005 from the Corporation to the Authority in the original principal amount of \$23,000,000; and (3) the State Environmental Improvement and Energy Resources Authority Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs – Master Trust), Series 2001C and the related promissory note dated November 1, 2001 from the Corporation to the Authority in the original principal amount of \$2,370,000.

“Outstanding Senior Obligations” shall mean the State Environmental Improvement and Energy Resources Authority Water Facilities Refunding Revenue Bonds (Tri-County Water Authority Project) Series 2010 and the related promissory note and loan agreement dated May 1, 2010 from the Corporation to the Authority in the original principal amount of \$10,525,000.

“Owner” unless otherwise evidenced by the context of the statement, shall have the same meaning as the term “Bondowner.”

“Participating Members” shall mean the public water supply districts, cities, other political subdivisions and other Persons which have or may hereafter execute a Water Purchase Contract to purchase water from the Corporation.

“Paying Agent” shall mean the Trustee and any other commercial bank or trust company organized under the laws of any state of the United States of America or any national banking association designated by this Indenture or any Supplemental Indenture as paying agent for any series of Bonds at which the principal of, redemption premium, if any, and interest on such Bonds shall be payable.

“Permitted Encumbrances” shall mean the following Encumbrances:

(1) the Loan Agreement, the Notes, the Mortgage, the Indenture and any other Encumbrance in favor of the Trustee securing all Notes on a parity basis;

(2) zoning laws and similar restrictions which are not violated by the Property affected thereby or the Corporation;

(3) all right, title and interest of the State, municipalities and the public in and to tunnels, bridges and passageways over, under or upon a public way;

(4) any lien on Property if such lien equally and ratably secures all Notes and Additional Obligations and only Notes and Additional Obligations;

(5) any judgment lien or notice of pending action, so long as such judgment or pending action is being contested and execution thereon is stayed or while the period for responsive pleadings has not lapsed;

(6) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property, to (A) terminate such right, power, franchise, grant, license or permit, provided that any such termination is contested by the Corporation and has been stayed pending the outcome of such contest, or (B) purchase, condemn, appropriate or recapture, or designate a purchaser of, such Property;

(7) any liens on any Property for taxes, assessments, levies, fees, water and sewer charges, and other governmental and similar charges and any construction liens or vendors liens for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent, or the amount or validity of which are being contested and execution thereon is stayed or, with respect to construction liens, have been due for less than 60 days;

(8) easements, rights-of-ways, servitudes, restrictions and other minor defects and encumbrances to any Property or the use of such Property in any manner, which rights do not materially impair the use of such Property or materially and adversely affect the value thereof;

(9) any encumbrances on Property received by the Corporation through gifts, grants, bequests, contributions or donations, such Encumbrances being due to restrictions on such gifts, grants, bequests, contributions or donations of Property or the income thereon;

(10) any lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to participate in any funds established to cover any insurance risks or in connection with worker's compensation, unemployment insurance, pension or profit sharing plans or other similar arrangements, or to share in the privileges or benefits required for companies participating in such arrangements;

(11) any Encumbrance existing on Property prior to the time of its acquisition through purchase, merger, consolidation or otherwise; provided, however, that the aggregate principal amounts secured by any such Encumbrance shall not exceed at the time of such acquisition the lesser of the Book Value or the Current Value of such Property; provided, further, that no such Encumbrance (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified unless such Encumbrance as so increased, extended, renewed or modified otherwise qualifies as a Permitted Encumbrance hereunder;

(12) liens arising by reason of good faith deposits with or by the Corporation in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the Corporation to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(13) any lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(14) rights of setoff and banker's liens with respect to funds on deposit in a financial institution in the ordinary course of business;

(15) any lien arising by reason of an Irrevocable Deposit;

(16) any security interest in any debt service reserve, depreciation reserve, construction, debt service or similar fund established pursuant to the terms of any Supplemental Loan Agreement or any Supplemental Indenture in favor of the Trustee, or the holder of the Indebtedness issued pursuant to a Supplemental Loan Agreement or Supplemental Indenture;

(17) any Encumbrances securing Capitalized Leases permitted by the Loan Agreement;

(18) any Encumbrance on Property securing Subordinate Indebtedness, provided that a superior Encumbrance on the same Property is granted to secure all Notes and Additional Obligations;

(19) any Encumbrance on unimproved real Property;

(20) any lien on any evidence of Indebtedness of the Corporation which secures Commitment Indebtedness and only Commitment Indebtedness authorized under the Loan Agreement;

(21) any Encumbrance which is existing on the date of execution and delivery of the Loan Agreement; provided, however, that no such Encumbrance (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified unless such Encumbrance as so increased, extended, renewed or modified otherwise qualifies as a Permitted Encumbrance hereunder; and

(22) any lien on Property securing the Outstanding Senior Obligations.

“Permitted Investments” means, if and to the extent the same are at the time legal for investment of funds held under this Bond Indenture:

(a) United States Government Obligations;

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

(c) repurchase agreements with any bank, bank holding company, savings and loan association, trust company, or other financial institution organized under the laws of the United States or any state, that are continuously and fully secured by any one or more of the securities described in clause (a), (b) or (d) and have a market value at all times at least equal to the principal amount of such repurchase agreement and are held in a custodial or trust account for the benefit of the County;

(d) obligations of Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Corporation, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks and Farmers Home Administration;

(e) certificates of deposit or time deposits, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of the United States or any state, provided that such certificates of deposit or time deposits shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities as are described above in clauses (a) through (d) above, inclusive, which shall have a market value at all times at least equal to the principal amount of such certificates of deposit or time deposits;

(f) money market mutual funds (1) that invest in Government Obligations or that are registered with the federal Securities and Exchange Commission (SEC), meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940, and (2) that are rated in either of the two highest categories by a nationally recognized rating service; and

(g) any other securities or investments that are lawful for the investment of moneys held in such funds or accounts under the laws of the State of Missouri.

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

“Prime Rate” shall mean the interest rate per annum determined from time to time by the Trustee (or its successors or assigns), as its “base rate” for variable rate commercial loans, such interest

rate to change automatically as of the opening of business on the effective date of any change in the Prime Rate.

“Property,” when used in connection with a particular Person, shall mean any and all rights, title and interests of such Person in and to any and all property whether real or personal, tangible or intangible, and wherever situated.

“Property, Plant and Equipment” shall mean the entire complex of tangible assets used by the Corporation as shown on the balance sheet of the Corporation, determined on a consolidated or combined basis in accordance with accounting principles generally accepted in the United States of America, consistently applied.

“Purchase Money Indebtedness” means Indebtedness incurred by the Corporation pursuant to a purchase money contract, conditional sale agreement, installment purchase contract, capitalized lease, or other similar debt or title retention agreement in connection with the acquisition of real or personal property and secured by a purchase money mortgage, security interest or lien with respect to the property acquired by the Corporation, where the lien of the seller or lender under such agreement is limited to such property.

“Qualified Financial Institution” shall mean a bank, trust company, national banking association, insurance company or other financial services company or entity, whose unsecured long term debt obligations (in the case of a bank, trust company, national banking association or other financial services company or entity) or whose claims paying abilities (in the case of an insurance company) are rated in any of the two highest rating categories by Moody’s or Standard & Poor’s.

“Record Date” shall mean the 15th day (whether or not a business day) of the calendar month next preceding the month in which an interest payment on any Bond is to be made.

“Refunding Indebtedness” shall mean any Additional Indebtedness issued for the purpose of refunding any Outstanding Long-Term Indebtedness.

“Resolution” shall mean the Resolution of the Authority authorizing the execution and delivery of this Indenture, the Loan Agreement and the issuance of any Bonds.

“Revenues” shall mean for any period, all revenues earned by the Corporation from its operations including (a) gross revenues less uncollectable accounts, plus (b) other operating revenues, plus (c) non-operating revenues, all as determined in accordance with accounting principles generally accepted in the United States of America, consistently applied; provided, however, that no determination thereof shall take into account (x) income derived from Irrevocable Deposits, (y) any gain or loss resulting from the early extinguishment of Indebtedness or the sale, exchange or other disposition of Property not in the ordinary course of business and (z) insurance (other than business interruption) and condemnation proceeds. For purposes of any calculation hereunder that is made with reference to both Revenues and Total Expenses, any deduction from gross revenues otherwise required by the preceding provisions of this definition shall not be made if and to the extent that the amount of such deduction is included in Total Expenses.

“Short-Term Indebtedness” shall mean Indebtedness having an original maturity less than or equal to one year from the date of original incurrence thereof, and not renewable or extendible at the option of the obligor thereon for a term greater than one year beyond the date of original issuance.

“Site” shall mean the real estate described in Schedule 1 to the Loan Agreement and the Indenture which is subject to the lien of the Mortgage and on which part of the Corporation’s water facilities are located and any other after-acquired real estate which shall hereafter become subject to the lien of the Mortgage pursuant to the provisions thereof, together with all buildings, improvements, fixtures and other property situated thereon but excluding therefrom any real property or real estate released from the lien of the Mortgage pursuant to the provisions thereof, and constituting real property or real estate under the laws of the State of Missouri.

“Special Record Date” shall mean the date fixed by the Trustee pursuant to the Indenture for the payment of Defaulted Interest.

“Standard and Poor’s” shall mean Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Standard & Poor’s shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

“State” shall mean the State of Missouri.

“Subordinated Indebtedness” shall mean Indebtedness that, with respect to any issue thereof, is evidenced by instruments, or issued under an indenture or other document, containing provisions for the subordination of such Indebtedness (to which appropriate reference shall be made in the instrument evidencing such Indebtedness) to the Bonds, the Notes and any Additional Obligations, provided at the time of the issuance of such Subordinated Indebtedness the Corporation shall not be in default in the performance of any covenant or agreement contained in the Loan Agreement, and provided further that such Subordinated Indebtedness shall be junior and subordinate to all Indebtedness on a parity with the Bonds, the Notes and Additional Obligations so that if at any time the Corporation shall be in default in paying either interest on or principal of the Bonds, or any other Indebtedness on a parity with the Bonds, the Notes and Additional Obligations or if the Corporation shall be in default in making any other payments under the provisions of the Loan Agreement, the Corporation shall make no payments of either principal of or interest on such Subordinated Indebtedness until said default or defaults be cured.

“Supplemental Indenture” shall mean any indenture supplemental or amendatory to this Indenture entered into by the Authority and the Trustee pursuant to the Indenture.

“Supplemental Loan Agreement” shall mean any agreement supplemental or amendatory to the Loan Agreement entered into by the Authority and the Corporation pursuant to the Loan Agreement and the Indenture.

“Supplemental Water Purchase Contracts” shall mean any agreement, supplemental or amendatory to the Water Purchase Contracts entered into by the Corporation and the Participating Members pursuant to the Water Purchase Contracts and the Indenture.

“Tax Compliance Agreement” means the Tax Compliance Agreement of even date herewith, among the Authority, the Corporation and the Trustee, as from time to time amended in accordance with the provisions thereof.

“Tax-Exempt Organization” shall mean a nonprofit organization, organized under the laws of the United States of America or any state thereof, that is an organization described in Section 501(c)(3) of the Code, is exempt from Federal income taxes under Section 501(a) of the Code, and is not a “private

foundation” within the meaning of Section 509(a) of the Code, or corresponding provisions of Federal income tax laws from time to time in effect.

“Total Expenses” shall mean for any period total operating and non-operating expenses of the Corporation, determined on a consolidated or combined basis in accordance with accounting principles generally accepted in the United States of America, consistently applied.

“Total Operating Revenues” shall mean the aggregate of Revenues of the Corporation for the most recent Fiscal Year for which audited financial statements are available, less allowances for bad debts, determined in accordance with accounting principles generally accepted in the United States of America, consistently applied and in such a manner that no portion of Revenues or allowances for bad debts is included more than once.

“Trust Estate” shall mean the Trust Estate described in the Granting Clauses of this Indenture.

“Unencumbered” shall mean not subject to an Encumbrance.

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

“Unrestricted Receivables” shall mean all accounts and assignable general intangibles now owned or hereafter acquired by the Corporation, and all proceeds therefrom whether cash or noncash, all as defined in Article 9 of the Missouri Uniform Commercial Code; excluding, however, gifts, grants, bequests, donations and contributions to the Corporation heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor, testator or grantor to a particular purpose which is inconsistent with their use for payments required under this Indenture or the Loan Agreement or on the Notes or on the Additional Obligations.

“Value”, as of any particular time of determination, shall mean, with respect to cash the face value thereof, and with respect to the value of any investments the lower of the cost or the market price of the investment.

“Water Purchase Contracts” shall mean the Water Purchase Contracts between the Corporation and Participating Members which provide the terms for the sale of water by the Corporation to the Participating Members in effect as of the date the Indenture or which may hereafter be executed and delivered by the Corporation.

“Written Request” shall mean, with reference to the Authority, a request in writing signed by an Authority Representative and, with reference to the Corporation, a request in writing signed by a Corporation Representative, or any other officers designated by the Authority or the Corporation, as the case may be, to sign such written Requests.

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions contained in the Indenture. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Indenture for a complete recital of the terms thereof.

Trust Estate

To secure the payment of the principal of, redemption premium, if any, and interest on all of the Bonds issued and Outstanding under the Indenture from time to time according to their tenor and effect and to secure the performance and observance by the Authority of all the covenants, agreements and conditions contained in the Indenture and in the Bonds, does transfer, pledge and assign to the Trustee and its successors and assigns in trust forever, and does grant a security interest unto the Trustee and its successors in trust and its assigns, in and to all and singular the property described in paragraphs (a) and (b) below (said property being referred to in the Indenture as the “Trust Estate”), to wit:

(a) All right, title and interest of the Authority in, to and under (1) the Loan Agreement (but excluding the Authority’s rights to payment of its fees and expenses and to indemnification as set forth in the Loan Agreement and excluding any payments made by the Trustee or the Corporation to meet the rebate requirements of Section 148(f) of the Code), (2) the Series 2015 Note and any Additional Notes, and (3) the Mortgage and the Mortgaged Property mortgaged and pledged thereunder; and

(b) All moneys and securities (except moneys and securities held in the Rebate Fund) from time to time held by the Trustee under the terms of the Indenture, and any and all other property pledged, assigned or transferred under the Indenture to the Trustee, as security for the Bonds.

Notwithstanding anything to the contrary herein, the Bonds are being issued junior and subordinate to the Outstanding Senior Obligations so that if at any time the Corporation shall be in default in paying either interest on or principal of the Outstanding Senior Obligations, or if the Corporation shall be in default in making any other payments under the provisions related to the Outstanding Senior Obligations, the Corporation shall make no payments of either principal of or interest on the Bonds until said default or defaults be cured related to the Outstanding Senior Obligations.

Creation of Funds and Accounts

There are created and ordered to be established in the custody of the Trustee the following special trust funds in the name of the Authority to be designated as follows:

- (a) Costs of Issuance Fund.
- (b) Debt Service Fund.
- (c) Project Fund.
- (d) Rebate Fund.

Costs of Issuance Fund

Moneys on deposit in the Costs of Issuance Fund shall be paid out from time to time by the Trustee upon Written Requests of the Corporation, in amounts equal to the amount of Issuance Costs certified in such Written Requests. At such time as the Trustee is furnished with an Officer’s Certificate stating that all such fees and expenses have been paid, and in any case not later than six months from the Closing Date, the Trustee shall transfer any moneys remaining in the Costs of Issuance Fund to the Debt Service Fund.

Debt Service Fund

Moneys in the Debt Service Fund shall be expended solely as follows: (a) to pay principal of the Bonds as the same mature and become due and upon mandatory sinking fund redemption thereof; (b) to pay interest on the Bonds as the same becomes due; and (c) to pay principal of and redemption premium, if any, on the Bonds as the same become due upon redemption (other than mandatory sinking fund redemption) prior to maturity.

Project Fund

Moneys in the Project Fund shall be used solely for the purpose of paying Costs of the Project. The Trustee shall disburse moneys on deposit in the Project Fund from time to time to pay or as reimbursement for payment made for the Costs of the Project, in each case promptly after receipt by the Trustee of written disbursement requests of the Corporation, in substantially the form of the Indenture, signed by the Corporation Representative for which payment is being requested, and subject to the conditions set forth in this Section.

The Corporation shall, upon completion of the Project, deliver to the Trustee within **90** days thereafter a written certificate of the Corporation Representative:

(1) stating that the Project has been fully completed substantially in accordance with the plans and specifications for the Project, as then amended, and the date of completion of the Project; and

(2) stating that the signer has made such investigation of such sources of information as are deemed necessary, including pertinent records of the Corporation, and is of the opinion that the Costs of the Project have been fully paid for and no claim or claims exist against the Authority or the Corporation or against the Project out of which a lien based on furnishing labor or material exists or might ripen; provided, however, there may be excepted from the foregoing statement any claim or claims out of which a lien exists or might ripen in the event that the Corporation intends to contest such claim or claims in accordance with the Loan Agreement, in which event such claim or claims shall be described; provided, further, that it shall be stated that moneys are on deposit in the Project Fund or are available through enumerated bank loans (including letters of credit) or other sources sufficient to make payment of the full amount which might in any event be payable in order to satisfy such claim or claims.

If after payment by the Trustee of all disbursement requests theretofore tendered to the Trustee under the provisions of this Section and after receipt by the Trustee of the Officer's Certificate required by this Section and after all rebatable earnings have been transferred to the Rebate Fund pursuant to the Indenture, there shall remain any moneys in the Project Fund, such moneys shall be deposited and applied in the following order of priority: (1) in the Debt Service Fund to pay the next successive principal payment on the Bonds to become due, and (2) in the Debt Service Fund and used to redeem Bonds at the earliest permissible date under the Indenture; provided, in the discretion of the Corporation, such moneys may be applied for any other purpose that, based on an Opinion of Bond Counsel addressed and delivered to the Trustee and the Authority, will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

If an event of default specified in the Indenture shall have occurred and the Bonds shall have been declared due and payable pursuant to the Indenture, any balance remaining in the Project Fund, other than amounts required to be transferred to the Rebate Fund pursuant to the Indenture, shall without further authorization be deposited in the Debt Service Fund by the Trustee with advice to the Corporation and to the Authority of such action.

Rebate Fund

There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Compliance Agreement. Except as provided in the Indenture, all amounts on deposit at any time in the Rebate Fund shall be held by the Trustee in trust, to the extent required to pay rebatable arbitrage to the United States of America, and neither the Corporation, the Authority nor the Owner of any Bonds shall have any rights in or claim to such money.

Payments Due on Saturdays, Sundays and Holidays

In any case where the date of maturity of principal of, redemption premium, if any, or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day that is not a Business Day, then payment of principal, redemption premium, if any, or interest 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 such date.

Nonpresentment of Bonds

In the event any Bond 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 funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Authority to the Owner thereof for the payment of such Bond, shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds in trust in a separate trust account, without liability for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on or with respect to said Bond. If any Bond shall not be presented for payment within one year following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall repay to the Corporation without liability for interest thereon, the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Corporation, and the Owner thereof shall be entitled to look only to the Corporation for payment, and then only to the extent of the amount so repaid, and the Corporation shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Events of Default

If any one or more of the following events occur, it is defined as and declared to be and to constitute an “Event of Default” under the Indenture:

- (a) default in the due and punctual payment of any interest on any Bond; or
- (b) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond, whether at the stated maturity or accelerated maturity thereof, or upon proceedings for redemption thereof; or

(c) the Authority shall for any reason be rendered incapable of fulfilling its obligations under the Indenture, or the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture or any Supplemental Indenture on the part of the Authority to be performed, and such incapacity or default shall continue for 60 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority and the Corporation by the Trustee (which notice may be given by the Trustee in its discretion and shall be given at the written request of the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding); provided, however, if any such default shall be correctable but is such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority or the Corporation within such period and diligently pursued until the default is corrected.

(d) any Event of Default as specified in the Loan Agreement shall occur and be continuing.

Acceleration of Maturity in Event of Default

If an Event of Default shall have occurred and be continuing, the Trustee may, and upon the written request of the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding shall, by notice in writing delivered to the Authority and the Corporation, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable; provided, however, that if at any time after the principal of the Bonds then Outstanding shall have so become due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such acceleration or before the completion of the enforcement of any other remedy under the Indenture, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect to which such default shall have occurred, and all arrears of payments of principal when due, as the case may be, and all fees, costs, advances and expenses of the Trustee (including without limitation attorney's fees and expenses) in connection with such default shall have been paid or provided for, upon the written request of the Owners of at least a majority in aggregate principal amount of all Bonds then Outstanding, then and in every case the acceleration of the Bonds then Outstanding and the consequences of such acceleration shall be annulled or rescinded, but no such annulment or rescission shall extend to or affect any subsequent acceleration of the Bonds then Outstanding, or impair any right consequent hereon.

Exercise of Remedies by the Trustee

Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or equity by suit, action, mandamus or other proceeding (including but not limited to any rights of a secured party under the Missouri Uniform Commercial Code) to enforce the payment of the principal of, redemption premium, if any, and interest on the Bonds then Outstanding, to realize on or to foreclose any of its interests or liens under the Indenture or under any other of the Bond Documents, to enforce and compel the performance of the duties and obligations of the Authority as set forth in the Indenture and to enforce or preserve any other rights or interests of the Trustee under the Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.

If an Event of Default shall have occurred and be continuing, and if requested so to do by the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding and if indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee shall deem most expedient in the interests of the Bondowners.

Limitation on Exercise of Remedies by Bondowners

No Owner 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 under the Indenture or for the appointment of a receiver or any other remedy under the Indenture, unless (a) a default has occurred of which the Trustee has been notified as provided in the Indenture or of which by said section the Trustee is deemed to have notice, (b) such default shall have become an Event of Default, (c) the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee, shall have provided it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name, and shall have provided to the Trustee indemnity as provided in the Indenture, and (d) the Trustee shall thereafter fail or refuse to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared in every 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 under the Indenture. Nothing in the Indenture contained shall, however, affect or impair the right of any Bondowner to payment of the principal of and interest on any Bond at and after the maturity thereof or the obligation of the Authority to pay the principal of, redemption premium, if any, and interest on each of the Bonds issued under the Indenture to the respective Owners thereof at the time, place, from the source and in the manner expressed in the Indenture and in the Bonds.

Right of Bondowners to Direct Proceedings

Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, 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, custodian or any other proceedings under the Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture and provided, further, that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceedings so directed would involve it in personal liability for which it has not been indemnified as provided in the Indenture.

Application of Moneys in Event of Default

All moneys received by the Trustee pursuant to any right given or action taken under the Indenture shall be applied as follows:

FIRST: Pro rata to the payment of all fees, costs and expenses (including but not limited to attorneys' fees) and disbursements associated with the collection of such moneys incurred by or on behalf of the Authority, the Trustee or the Mortgage Trustee with interest at the Prime Rate plus 2%. Any such interest shall belong to the party incurring the expense or disbursement.

SECOND: Pro rata to the payment of all advances by the Authority or the Trustee with interest at the Prime Rate plus 2%. Any such interest shall belong to the party making the advance.

THIRD:

A. If the principal of all the Bonds shall not have become due and payable, all such moneys shall be applied:

First: Pro rata to the Persons entitled thereto of all installments of interest then due and payable on the Bonds, with interest at the stated rate of interest on the Bonds.

Second: Pro rata to the Persons entitled thereto of the unpaid principal of any of the Bonds (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture) with interest at the stated rate of interest on the 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 pro rata to the payment of the principal and interest then due and unpaid on all the Bonds to the persons entitled thereto with interest at the stated rate of interest on the Bonds.

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 (under the provisions of the Indenture), then the moneys shall be applied in accordance with part “A” of this subsection.

The foregoing provisions notwithstanding, owners of Additional Obligations shall be entitled to receive amounts collected pursuant to the exercise of remedies permitted under the Loan Agreement and any other Bond Document to the extent provided therein.

Notwithstanding anything to the contrary herein, the Bonds are being issued junior and subordinate to the Outstanding Senior Obligations so that if at any time the Corporation shall be in default in paying either interest on or principal of the Outstanding Senior Obligations, or if the Corporation shall be in default in making any other payments under the provisions related to the Outstanding Senior Obligations, the Corporation shall make no payments of either principal of or interest on the Bonds until said default or defaults be cured related to the Outstanding Senior Obligations.

Waivers of Events of Default

The Trustee shall waive any Event of Default under the Indenture and its consequences and rescind any declaration of maturity of principal upon the written request of the Owners of at least a majority in aggregate principal amount of all Bonds then Outstanding in the case of any default; provided, however, that there shall not be waived without the consent of the Owners of all the Bonds Outstanding (a) an Event of Default in the payment of the principal of any Outstanding Bonds at the date of maturity specified therein, or (b) any default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission of the Event of Default referred to in (a) or (b) above, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect to which such default shall have occurred, and all arrears of payments of principal when due, as the case may be, and all fees, costs and expenses (including, but not limited to attorneys’ fees) of the Trustee in connection with such default shall have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every case the Authority, the Corporation, the Trustee and the Bondowners shall be restored to their former positions, rights and obligations under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Acceptance of Trusts

The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts as a corporate trustee ordinarily would perform said trusts under a corporate indenture, but only upon and subject to the express terms and conditions of the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee.

Notice to the Bondowners if Default Occurs

If an Event of Default occurs of which the Trustee is by the Indenture required to take notice or if notice of default be given as provided in the Indenture, then the Trustee shall, as soon as practicable but in any event, not more than 30 days after obtaining actual knowledge of such Event of Default, give written notice thereof to the Owners of all Bonds then Outstanding as shown by the Bond Register.

Resignation of Trustee

The Trustee and any successor Trustee may at any time resign from the trusts created by giving 30 days' written notice to the Authority, the Corporation and the Bondowners, but no such resignation shall take effect until the appointment of a successor Trustee by the Bondowners or by the Authority pursuant to the Indenture.

Removal of Trustee

The Trustee may be removed for cause or without cause at any time by an instrument or concurrent instruments in writing delivered (a) to the Trustee, the Authority and the Corporation and signed by the Owners of a majority in aggregate principal amount of Bonds then Outstanding or (b) so long as no Event of Default or condition that with the giving of notice or passage of time or both would constitute an Event of Default under the Indenture, the Tax Compliance Agreement, the Mortgage or the Loan Agreement has occurred and is continuing, to the Trustee and the Authority and signed by the Corporation. The Authority, the Corporation or any Bondowner may at any time petition any court of competent jurisdiction for the removal for cause of the Trustee.

Appointment of Successor Trustee

In case the Trustee under the Indenture shall resign or be removed, or shall otherwise become incapable of acting under the Indenture, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by a court, a successor Trustee may be appointed, so long as the Corporation is not in default under the Loan Agreement, by the Corporation Representative. If the Corporation Representative has not appointed a successor trustee within 30 days after such vacancy, then a successor trustee may be appointed by the Owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing; provided, nevertheless, that in case of such vacancy the Authority may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed in the manner above provided; and any such temporary Trustee so appointed by the Authority shall immediately and without further acts be superseded by the successor Trustee so appointed. If a successor Trustee or a temporary Trustee has not been appointed within 30 days, the Trustee may petition a court of competent jurisdiction for the appointment of a successor Trustee.

Supplemental Indentures Not Requiring Consent of Bondowners

The Authority and the Trustee may from time to time, without the consent of or notice to any of the Bondowners, enter into such Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Indenture or to release property from the Trust Estate which was included by reason of an error or other mistake;
- (b) To grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondowners or the Trustee or either of them;
- (c) To more precisely identify any Additional Project or to add additional property thereto;
- (d) To subject to the Indenture additional revenues, properties or collateral;
- (e) To issue Additional Bonds as provided in the Indenture or Additional Obligations pursuant to the Loan Agreement;
- (f) To modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;
- (g) To provide for the refunding or advance refunding of any Bonds or Additional Obligations;
- (h) To evidence the appointment of a separate trustee or the succession of a new trustee under the Indenture;
- (i) To make any other change which, in the sole judgment of the Trustee, does not materially adversely affect the security for the Bondowners. In exercising such judgment the Trustee may rely on an opinion of Counsel acceptable to the Corporation and the Authority.

Supplemental Indentures Requiring Consent of Bondowners

In addition to Supplemental Indentures permitted by the Indenture not requiring notice to or the consent of the Owners, with the written consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, the Authority and the Trustee may from time to time enter into such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary and desirable by the Authority for the purpose of modifying, amending, adding to or rescinding, in particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing in this Section contained shall permit or be construed as permitting:

- (a) an extension of the maturity of the principal of or the scheduled date of payment of interest on any Bond issued under the Indenture, or
- (b) a reduction in the principal amount, redemption premium or any interest payable on any Bond, or
- (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or
- (d) a reduction in the aggregate principal amount of Bonds the Owners of which are required for consent to any such Supplemental Indenture, or

(e) the modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee.

If at any time the Authority shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes provided above, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Bondowner. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the payment office of the Trustee for inspection by all Bondowners. If within 60 days or such longer period as shall be prescribed by the Authority following the mailing of such notice, the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as in this Section permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Opinion of Bond Counsel

Notwithstanding anything to the contrary in the Indenture, before the Authority and the Trustee enter into any Supplemental Indenture, there shall have been delivered to the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms and will not adversely affect the validity of the Bonds or the exclusion from federal gross income of interest on the Bonds.

Supplemental Loan Agreements Not Requiring Consent of Bondowners

The Authority and the Trustee may, without the consent of or notice to the Bondowners, consent to the execution of any Supplemental Loan Agreements by the Authority and the Corporation as may be required:

- (a) by the provisions of the Loan Agreement and the Indenture,
- (b) for the purpose of curing any ambiguity or formal defect or omission in the Loan Agreement,
- (c) so as to more precisely identify any Additional Project or add additional property thereto,
- (d) in connection with the issuance of Additional Bonds or Additional Obligations under the Indenture, or
- (e) in connection with any other change therein which, in the sole judgment of the Trustee, does not materially adversely affect the security for the Bondowners. In exercising such judgment, the Trustee may rely on an opinion of Counsel.

Supplemental Loan Agreements Requiring Consent of Bondowners

In addition to Supplemental Loan Agreements permitted by the Indenture not requiring notice to or the consent of the Owners, the Authority and the Trustee may consent to the execution of any

Supplemental Loan Agreements by the Authority and the Corporation with the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and obtained as provided in the Indenture; provided, however, that no such Supplemental Loan Agreement shall be entered into which permits:

- (a) an extension of the maturity of the principal of or the interest on any Note, or
- (b) reduction in the principal amount of any Note or the premium or rate of interest payable thereon.

If at any time the Authority and the Corporation shall request the consent of the Trustee to any such proposed Supplemental Loan Agreement, the Trustee shall cause notice of such proposed Supplemental Loan Agreement to be mailed in the same manner as provided by the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed Supplemental Loan Agreement and shall state that copies of the same are on file at the payment office of the Trustee for inspection by all Bondowners.

Opinion of Bond Counsel

Notwithstanding anything to the contrary in the Indenture, before the Authority and the Trustee enter into any Supplemental Loan Agreement, there shall have been delivered to the Trustee an opinion of Bond Counsel stating that such Supplemental Loan Agreement is authorized or permitted by this Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms and will not adversely affect the validity of the Bonds or the exclusion from federal gross income of interest on the Bonds.

Supplemental Water Purchase Contracts Not Requiring Consent of Bondowners

The Authority and the Trustee may, without the consent of or notice to the Bondowners, consent to the execution of any Supplemental Water Purchase Contracts by the Corporation and the Participating Members as may be required:

- (a) for the purpose of curing any ambiguity or formal defect or omission in the Water Purchase Contract,
- (b) so as to more precisely identify any Additional Project or add additional property thereto,
- (c) in connection with the issuance of Additional Bonds or Additional Obligations under the Indenture, or
- (d) in connection with any other change therein which, in the sole judgment of the Trustee, does not materially adversely affect the security for the Bondowners. In exercising such judgment, the Trustee may rely on an opinion of Counsel.

Supplemental Water Purchase Contracts Requiring Consent of Bondowners

In addition to Supplemental Water Purchase Contracts permitted by the Indenture not requiring notice to or the consent of the Owners, the Authority and the Trustee may consent to the execution of any Supplemental Water Purchase Contracts by the Corporation and the Participating Members with the

consent of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and obtained as provided in the Indenture.

Opinion of Bond Counsel

Notwithstanding anything to the contrary in the Indenture, before the Authority and the Trustee enter into any Supplemental Water Purchase Contract, there shall have been delivered to the Trustee an opinion of Bond Counsel stating that such Supplemental Water Purchase Contract is authorized or permitted by this Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms and will not adversely affect the validity of the Bonds or the exclusion from federal gross income of interest on the Bonds.

Bonds Deemed To Be Paid

Any Bond or Bonds shall be deemed to be paid and no longer Outstanding under the Indenture and shall cease to be entitled to any lien, benefit or security under the Indenture if the Authority shall pay or provide for the payment of such Bond or Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on such Bond or Bonds, as and when the same become due and payable;

(b) by delivering and surrendering to the Trustee, for cancellation by it, such Bond or Bonds;
or

(c) by depositing with the Trustee, in trust, (1) moneys or Defeasance Obligations in such amounts and with maturities as the Trustee shall determine will be, together with other moneys deposited therein and together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bond or Bonds at or before their respective maturity dates and to pay the interest thereon as it comes due, and (2) in the case of Bonds which do not mature or will not be redeemed within 90 days of the deposit referred to in (1) above, a verification report of an independent certified public accounting firm as to the adequacy of the trust funds to fully pay the Bonds deemed to be paid.

Notwithstanding the foregoing, in the case of any Bonds which by their terms may be redeemed prior to the stated maturities thereof, no deposit under clause (c) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until, (i) as to all such Bonds which are to be redeemed prior to their respective stated maturities, proper notice of such redemption shall have been given in accordance with the Bond Indenture or irrevocable instructions shall have been given to the Trustee to give such notice, and (ii) the Authority and the Trustee shall have received in a form acceptable to each of them the following: (1) an opinion of Bond Counsel addressed to each of them to the effect that the requirements of the Indenture have been satisfied, and (2) if the Bonds are being redeemed or defeased more than 90 days prior to the redemption or maturity date of the Bonds, the report of a verification agent acceptable to and addressed to each of them, confirming the mathematical accuracy of the calculations used to determine the sufficiency of the moneys or Defeasance Obligations referred to under clause (c) above.

Notwithstanding any provisions of any other Section of the Indenture which may be contrary to the provisions of this Section, all moneys or Defeasance Obligations set aside and held in trust pursuant to the provisions of this Section for the payment of Bonds (including redemption premium thereon, if any) shall be held irrevocably in trust for the Owners of such Bonds and applied to and used solely for the

payment of the particular Bonds (including redemption premium thereon, if any) with respect to which such moneys and Defeasance Obligations have been so set aside in trust.

SUMMARY OF LOAN AGREEMENT

The following is a summary of certain provisions contained in the Loan Agreement. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Loan Agreement for a complete recital of the terms thereof.

Use of Proceeds

The proceeds of the Series 2015 Bonds shall be deposited with the Trustee and applied as provided in the Indenture and in the Loan Agreement (a) to fund the Costs of the Project, (b) to pay certain costs related to the issuance of the Series 2015 Bonds.

Loan Payments

The Corporation will duly and punctually pay the principal of, redemption premium, if any, and interest on the Notes on the dates and at the places and in the manner specified in the Notes and in the Loan Agreement, according to the true intent and meaning thereof and of the Loan Agreement. Notwithstanding any schedule of payments upon the Notes set forth in the Loan Agreement or in the Notes, the Corporation agrees to make payments upon the Notes and be liable therefor at the times and in the amounts (including principal, interest and redemption premium, if any) equal to the amounts to be paid as interest, premium, if any, and principal whether at maturity or by redemption upon the Bonds from time to time Outstanding under the Indenture.

To provide for the payment of the Series 2015 Note, and the principal of, redemption premium, if any, and interest on the Series 2015 Bonds, the Corporation covenants and agrees that it will make monthly payments directly to the Trustee, from moneys available to the Corporation for the account of the Authority, for deposit in the Debt Service Fund.

Unpaid Loan Payments for the Bonds shall bear interest at the rate of 2% in excess of the Maximum Interest Rate. Any interest charged and collected on an unpaid Loan Payment shall be deposited to the credit of the Debt Service Fund and applied to pay interest on overdue amounts in accordance with the Indenture.

Any supplements to the Loan Agreement authorizing the issuance of Additional Bonds and Additional Notes shall provide for similar monthly deposits into the Debt Service Fund of amounts sufficient to insure the prompt payment of the principal of, premium, if any, and interest on any Additional Bonds or Additional Notes as the same become due.

Additional Payments

The Corporation agrees to make the following additional payments to the following persons:

(a) *Rebate Payments.* To the Trustee, all rebate payments required under Section 148(f) of the Code, to the extent such amounts are not available to the Trustee in the Rebate Fund or other funds and accounts held under the Indenture.

(b) *Trustee Fees and Professional Fees.* To the Trustee and any Paying Agent, registrars, counsel, accountants, engineers and other Persons when due, all reasonable fees, charges and expenses of

such Persons for services rendered under the Indenture and under any of the Bond Documents and expenses incurred in the performance of such services under the Indenture and any of the Bond Documents for which such Persons are entitled to payment or reimbursement.

(c) *Authority Fees.* To the Authority upon demand, its regular fees and charges and all reasonable expenses incurred by the Authority in relation to the transactions contemplated by the Loan Agreement, the Indenture and any of the Bond Documents which are not otherwise required to be paid by the Corporation under the terms of the Loan Agreement, including all fees and charges of the Authority as provided for under the Act.

(d) *Advances.* To the Authority or the Trustee, as the case may be, the amount of all advances of funds made by any of them under the provisions of the Loan Agreement, with interest thereon at the Prime Rate, plus 2%.

(e) *Attorneys Fees and Other Expenses.* Notwithstanding anything to the contrary contained in the Loan Agreement, the Corporation also covenants and agrees, at its expense, to pay, and to indemnify the Authority and the Trustee from and against, all liabilities, losses, costs, expenses and charges, including reasonable counsel fees, incurred for the collection of payments due under the Loan Agreement or for the enforcement or performance or observance of any covenant or agreement of the Corporation under the Loan Agreement or under any Note, or the Indenture, the Water Purchase Contracts or any other Bond Document.

(f) *Taxes and Assessments.* The Corporation shall pay all taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received under the Loan Agreement or in any way arising due to the transactions contemplated (including property and other taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding any taxes based upon the capital of and/or income, fees and/or expenses received by the Trustee in its individual capacity, or any other Person other than the Corporation; provided, however, that the Corporation shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, as the case may be, at the Corporation's expense, to protest and contest any such taxes or assessments assessed or levied upon them and that the Corporation shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest, or contest would materially adversely affect the rights or interests of the Authority or the Trustee.

Maintenance and Use of Facilities

The Corporation covenants and agrees that it will at all times use its facilities only in furtherance of its lawful corporate purposes and cause its business to be carried on and conducted in an effective manner and its Property to be maintained, preserved and kept in good repair, working order and condition and in as safe condition as its operations will permit and make all necessary and proper repairs (interior and exterior, structural and non-structural, ordinary as well as extraordinary and foreseen as well as unforeseen), renewals and replacements thereof so that its operations and business shall at all times be conducted in an efficient, proper and advantageous manner; provided, however, that nothing contained in the Loan Agreement shall be construed (1) to prevent the Corporation from ceasing to operate any portion of its Property, if in its reasonable judgment (evidenced, in the case of such a cessation other than in the ordinary course of business, by a determination by its governing board) it is advisable not to operate the

same, or (2) to obligate the Corporation to retain, preserve, repair, renew or replace any property, leases, rights, privileges or licenses no longer used or, in the judgment of its governing board, no longer useful in the conduct of its business, or (3) to prevent the Corporation from making additions, alterations and changes in and to its Property so long as such additions, alterations and changes are made in compliance with the provisions of the Loan Agreement and will not result in a violation of the provisions of the Loan Agreement, or (4) to prevent the Corporation from removing property from the Facility as permitted by the Loan Agreement.

The Corporation may, at its own expense, and subject to the provisions of Loan Agreement, make such replacements, additions, alterations, changes, modifications and improvements to the Facility as it deems necessary or desirable, subject to the following conditions:

(1) no building or buildings constituting a part of the Facility shall be demolished or removed and no alterations to the Facility shall be made which would substantially impair the structural strength, utility or market value thereof without in each case the prior written consent of the Authority and the Trustee; and

(2) all alterations to the Facility shall become a part of the Facility; provided, however, that the definitions of the Site and the Facility contained in the Loan Agreement and in the Indenture may be amended, if necessary, to include such alterations.

The Corporation shall cause the Engineer to annually review the conditions of the Property and shall cause such Engineer to prepare a written report regarding such review containing such recommendations, if any, for changes to the operations and maintenance of the Property.

Maintenance of Corporate Existence and Status

Except as otherwise expressly provided in the Loan Agreement, the Corporation covenants and agrees that it will (1) preserve its corporate or other separate legal existence, (2) preserve all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs, (3) be and remain qualified to do business and conduct its affairs in each jurisdiction where its ownership of Property or the conduct of its business or affairs requires such qualification, and (4) maintain its status as a Tax Exempt Organization throughout the term of the Loan Agreement.

Compliance With Laws, Orders and Regulations

The Corporation covenants and agrees to conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States of America and the several states thereof and duly to observe and conform to all valid orders, regulations or requirements of any governmental authority applicable to the conduct of its business and operations and the ownership of its Property; provided, nevertheless, that nothing contained in the Loan Agreement shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof shall be contested in good faith.

Taxes, Charges and Assessments

The Corporation covenants and agrees to pay promptly all lawful taxes, governmental charges and assessments at any time levied or assessed and due upon or against it or its Property; provided, however, that it shall have the right to contest in good faith by appropriate proceedings any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer

payment thereof and shall have the right to pay taxes in installments; and provided further that such contest shall not impair the ability of the Corporation to meet its obligations under the Loan Agreement.

Payment of Obligations

The Corporation covenants and agrees to pay promptly or otherwise to satisfy and discharge all of its obligations and Indebtedness (including, in addition to Indebtedness, guaranties by the Corporation of Indebtedness of any other Person) and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Notes issued and Outstanding under the Loan Agreement and the obligations to make payments on Notes under the Loan Agreement) whose validity, amount or collectability is being contested in good faith by appropriate proceedings, so long as such contest shall not impair the ability of the Corporation to meet its obligations under the Loan Agreement. The Corporation shall give immediate notice to the Authority and the Trustee in the event any such contests involve amounts at any given time which in the aggregate exceed \$50,000.

Insurance

The Corporation covenants and agrees that it will at all times maintain or cause to be maintained, at its sole cost and expense, insurance with respect to its Property which is commercially and reasonably insurable, the operation thereof and its business against such casualties, contingencies and risks (including but not limited to public liability, property and casualty, workers' compensation, and employee dishonesty) and in such amounts equal to the full replacement value of the Property which is commercially and reasonably insurable; provided that, to the extent that any contractor for construction of the Facility or any addition thereto shall provide a duplicate insurance policy or a builder's risk policy or certificate of insurance showing that the same coverage as is required in the Loan Agreement is being carried by such contractor, and if in the opinion of the Authority and the Trustee such insurance coverage adequately protects the interest of the Authority, the Trustee and the Corporation with respect to the Facility and any such addition, the insurance provided for by the Loan Agreement shall not be required for such construction period with respect to the Facility or such addition while the Facility or such addition is so covered by such other insurance. The Trustee and the Authority shall be additional named insureds on all such insurance policies as their respective interests may appear.

The Corporation shall annually review the insurance the Corporation maintains pursuant hereto as to its customariness and adequacy. In addition, the Corporation shall cause such a review to be conducted annually by an Insurance Consultant and shall cause such Consultant to prepare a written report regarding such review containing such Consultant's recommendations, if any, for changes in such insurance. The Corporation shall cause copies of its review, or the report of the Insurance Consultant, as the case may be, to be delivered promptly to the Trustee. The Corporation agrees to follow the recommendations of such Insurance Consultant to the extent practicable as determined by the governing board of the Corporation, except to the extent that its governing board determines that such recommendations are not feasible, the reasons for such determination to be set forth in an Officer's Certificate delivered to the Trustee which states the Corporation's concurrence with such decision. Copies of all insurance policies required to be maintained under the Loan Agreement or certificates thereof shall be delivered to the Trustee.

All such policies of insurance required by the Loan Agreement shall be issued by and maintained in responsible insurance companies, organized under the laws of one of the states of the United States, and permitted under the laws of the State. All such policies shall be carried in the name of the Corporation, and in the names of the Authority and the Trustee as their respective interests may appear and if applicable. All such policies for property and casualty insurance shall contain standard mortgage clauses which provide for Net Proceeds of insurance resulting from claims per casualty thereunder which are \$100,000 or less for loss or damage covered thereby to be made payable directly to the Corporation

and Net Proceeds from such claims in excess of \$100,000 to be made payable directly to the Trustee. The Net Proceeds of property and casualty insurance shall be applied as provided in the Loan Agreement. To the extent the insurance required by this Section is provided through commercial insurance policies, the Corporation will deposit annually with the Trustee policies evidencing all such insurance, or a certificate or certificates or binders of the respective insurers stating that such insurance is in force and effect. Each policy shall contain a provision that the insurer shall not cancel nor modify it without giving prior written notice to each insureds named therein, at least 30 days before the cancellation or modification becomes effective. Not less than 15 days prior to the expiration of any policy, the Corporation shall furnish the Trustee evidence satisfactory to the Trustee that the policy has been renewed or replaced in conformity with the provisions of this Section, or that there is no necessity therefor under the terms of the Loan Agreement. In lieu of separate policies, the Corporation may maintain a single policy, blanket or umbrella policies, or a combination thereof, in which event the Corporation shall deposit with the Trustee a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Property of the Corporation.

Damage or Destruction

In the event of damage to, or destruction of, the Facility or any portion thereof resulting from fire or other casualty, the Net Proceeds of any insurance relating to such damage, if such proceeds are \$100,000 or less, shall be paid directly to the Corporation and the Corporation agrees that, to the extent permitted by law, it will forthwith replace, repair, reconstruct and restore the Facility to substantially the same or an improved condition or utility value as existed prior to the event causing such damage and will to the extent necessary apply the Net Proceeds of any insurance relating to such damage received by the Corporation to the payment or reimbursement of the costs of such replacement, repair, reconstruction and restoration. Any remaining balance not required for said purpose shall be paid to the Trustee for deposit in the Debt Service Fund. Net Proceeds of any insurance relating to such damage exceeding \$100,000 shall be paid directly to the Trustee.

In the event the Facility or any portion thereof is destroyed by fire or other casualty and the damage or destruction is estimated to exceed \$100,000, the Corporation agrees to promptly notify the Authority and the Trustee of such event and the Corporation shall, within 90 days after such damage or destruction, elect, one of the following two options by written notice of such election to the Trustee:

(a) *Option A -- Repair and Restoration.* The Corporation may elect to use all or part of such Net Proceeds to replace, repair, reconstruct and restore the damaged facilities. In such event the Corporation shall proceed forthwith to replace, repair, reconstruct and restore the damaged facilities to substantially the same condition or utility value as existed prior to the event causing such damage or destruction and will apply the Net Proceeds of any insurance relating to such damage or destruction received by the Corporation from the Trustee to the payment or reimbursement of the costs of such replacement, repair, reconstruction and restoration. So long as the Corporation is not in default under the Loan Agreement, any Net Proceeds of insurance relating to such damage or destruction received by the Trustee shall be deposited in a separate account to be established by the Trustee in the Project Fund and released from time to time by the Trustee to the Corporation upon the receipt of:

(1) The Written Request of the Corporation specifying the expenditures made or to be made or the indebtedness incurred in connection with such repair, reconstruction and restoration and stating that such Net Proceeds, together with any other moneys legally available for such purposes, will be sufficient to complete such replacement, repair, reconstruction and restoration; and

(2) the written approval of such Written Request by an Engineer.

It is further understood and agreed that in the event the Corporation shall elect this Option A or is unable to obtain the opinion required by Option B below, the Corporation shall complete the replacement, repair, reconstruction and restoration of the Facility, whether or not the Net Proceeds of insurance received by the Corporation for such purposes are sufficient to pay for the same. Upon completion of such replacement, repair, reconstruction and restoration any excess moneys from the Net Proceeds of such insurance over and above the costs of such replacement, repair, reconstruction and restoration shall be deposited by the Trustee in the Debt Service Fund. If the Corporation elects to use only part of such Net Proceeds for replacements, repairs, reconstruction and restoration of the Facility, then the remaining part of such Net Proceeds shall be applied pro rata to the prepayment of the Bonds and in such event the Corporation shall, in its notice of election to the Trustee, direct the Trustee to deposit such moneys when and if received in the Debt Service Fund.

The Corporation agrees to apply such Net Proceeds so received solely to the purposes specified in such notice of election.

(b) *Option B -- Prepayment of Bonds.* The Corporation may elect to have all or part of such Net Proceeds payable as a result of such damage or destruction applied to the prepayment of the Series 2015 Bonds, any Additional Bonds or any Additional Obligations; provided that the Corporation supplies the Authority and the Trustee with an opinion of an Engineer stating that the property destroyed was not essential to the use of the Facility as a complete and operational facility and that the Corporation's Net Revenues Available for Debt Service will not be materially adversely affected by such destruction; provided, however, no such opinion shall be required if all Outstanding Indebtedness is to be redeemed and paid. In such event the Corporation shall, in its notice of election to the Trustee, direct the Trustee to deposit such Net Proceeds or a specified portion thereof, when and as received, in the Debt Service Fund. If only part of such Net Proceeds is applied to the prepayment of the Bonds, then the remaining part of such Net Proceeds shall be applied as provided under Option A above.

Condemnation or Loss of Title

In the event the Facility or any portion thereof is condemned or taken for any public or quasi-public use or title thereto is found to be deficient, the Net Proceeds of such condemnation or taking or the Net Proceeds of any realization on the title insurance required to be maintained under the Loan Agreement, if such proceeds do not exceed \$100,000, shall be paid directly to the Corporation and applied as provided under the heading "Option A" and shall be subject to all of the provisions of said Option A.

If such Net Proceeds exceed \$100,000, the Corporation irrevocably assigns to the Authority and to the Trustee, as their respective interests may appear, all right, title and interest of the Corporation in and to any Net Proceeds of any award, compensation or damages (hereinafter referred to as an "award"), payable in connection with any such condemnation or taking and in and to any proceeds of such insurance. Such Net Proceeds shall be initially paid to the Trustee for disbursement or use as provided in the Loan Agreement.

In the event any such award or proceeds of title insurance exceed \$100,000, the Corporation shall within 90 days after the date when title to the Facility or portion thereof vests in the party condemning or taking the same (hereinafter referred to as the "termination date"), or the date on which such insurance proceeds are determined, elect, subject to the written approval of the Authority which approval shall not be unreasonably withheld, one of the following two options by written notice of such election to Trustee:

(a) *Option A -- Repairs and Improvements.* The Corporation may elect to use all or part of the Net Proceeds of the award made in connection with such condemnation or taking or of such insurance for replacement of or repairs and improvements to the Facility and in such event such Net Proceeds or part thereof shall be deposited in a separate account to be established by the Trustee in the Project Fund and so long as the Corporation is not in default under the Loan Agreement, the Corporation shall have the right to receive such Net Proceeds from the Trustee from time to time upon the receipt by the Trustee of:

(1) the Written Request of the Corporation specifying the expenditures made or to be made or the indebtedness incurred in connection with such restoration, repairs and improvements and stating that such Net Proceeds, together with any of the moneys legally available for such purposes, will be sufficient to complete such restoration, repair and improvement; and

(2) the written approval of such Written Request by an Engineer.

If the Corporation elects to use only part of such Net Proceeds for replacement of or repairs and improvements to the Facility, then the remaining part of such Net Proceeds shall be applied pro rata to the prepayment of the Bonds and in such event the Corporation shall, in its notice of election to the Trustee, direct the Trustee to deposit such moneys when and if received in the Debt Service Fund.

The Corporation agrees to apply any such Net Proceeds so received solely to the purposes specified in such notice of election.

(b) *Option B -- Prepayment of Bonds.* The Corporation may elect to have all or part of such Net Proceeds payable as a result of such condemnation or taking or of such insurance applied pro rata to the prepayment of the Bonds; provided that the Corporation supplies the Authority and the Trustee with an opinion of an Engineer stating that the property condemned or the property interest lost because of the title defect which resulted in the realization on such insurance, as the case may be, was not essential to the use of the Facility as a complete and operational facility and that the Corporation's Net Revenues Available for Debt Service will not be materially adversely affected by such condemnation or taking (or title defect); provided, however, no such opinion shall be required if all Outstanding Indebtedness is to be redeemed and paid. In such event the Corporation shall, in its notice of election to the Trustee, direct the Trustee to deposit such Net Proceeds, or part thereof, when and as received, in the Debt Service Fund. If only part of such Net Proceeds is applied to the prepayment of the Bonds, then the remaining part of such Net Proceeds shall be applied as provided under Option A above.

Rate Covenant

The Corporation covenants and agrees that it will, prior to the close of each Fiscal Year, set rates and charges for its facilities such that the Net Revenues Available for Debt Service of the Corporation will not be less than the sum of 1.10 times the Average Annual Debt Service when calculated with respect to the Series 2015 Note, any Additional Notes and any Additional Obligations. If the Net Revenues Available for Debt Service, as calculated at the end of any Fiscal Year, is less than the rate covenant requirement, the Corporation covenants to retain a Consultant to make recommendations to increase the annual Debt Service coverage for subsequent Fiscal Years to at least the rate covenant requirement. The Corporation agrees that it will follow the recommendations of the Consultant. So long as the Corporation shall retain a Consultant and the Corporation shall follow such Consultant's recommendations, and so long as the Net Revenues Available for Debt Service is in no event less than 1.00 times the Average Annual Debt Service with respect to the Series 2015 Note, any Additional Notes and any Additional Obligations, this Section shall be deemed to have been complied with for such Fiscal Year even if the Average Annual Debt Service coverage is below the rate covenant requirement and will not constitute an Event of Default under the Loan Agreement. A copy of the Consultant's report shall be delivered, at the

expense of the Corporation, to the Original Purchaser, the Trustee and to any requesting Owner of the Bonds.

The Corporation will not furnish or permit to be furnished by or from the Facility any free water or other free service of any kind. The Corporation will levy charges for all water service of any kind furnished at the rates at the time established therefor by the Corporation.

Restriction on Encumbrances

The Corporation shall not create or incur or permit to be created or incurred or to exist any mortgage, lien, security interest, charge or encumbrance upon its Property except Permitted Encumbrances, and shall promptly discharge or terminate all mortgages, liens, security interests, charges and encumbrances on its Property that are not Permitted Encumbrances. The Corporation shall comply with all terms, covenants and provisions contained in any Permitted Encumbrances existing upon its Property or any part thereof or securing any of its Indebtedness unless the validity, amount or collectability thereof is being contested in good faith or the failure to comply or contest would not materially impair its ability to pay its Indebtedness when due nor subject a material amount of the Property of the Corporation to loss or forfeiture.

Sale, Lease or Other Disposition of Property

The Corporation covenants and agrees that it will not in any Fiscal Year, sell, lease or otherwise dispose of any Property comprising the Facility, except transfers of Property:

(a) To any Person if prior to the sale, lease or other disposition there is delivered to the Trustee an Officer's Certificate stating (1) that in the judgment of the signer such Property has become, or within the next succeeding 24 calendar months is reasonably expected to become, inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary, (2) the sale, lease or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property of the Corporation, and (3) that any proceeds realized from such sale, lease or other disposition are to be applied either to acquire or enter into a Capitalized Lease for additional Property to be used in the operation of the Facility or deposited in the Debt Service Fund and used to pay the principal of the Bonds at the earliest permissible date.

(b) To any Person in the ordinary course of business.

(c) To any Person in an arm's length transaction for value and there is delivered to the Trustee an Officer's Certificate stating (1) that the transfer will not result in an Event of Default or impair the ability of the Corporation to meet its obligations under the Loan Agreement, and (2) that any proceeds realized from such sale, lease or other disposition are to be applied either to acquire or enter into a Capitalized Lease for additional Property to be used in the operation of the Facility or deposited in the Debt Service Fund and used to pay the principal of the Bonds on their next payment date.

(d) As part of a merger, consolidation, sale or conveyance permitted by the Loan Agreement.

Merger, Consolidation, Sale or Conveyance

(a) The Corporation covenants that it will not merge or consolidate with any other Person or sell or convey, except as otherwise permitted in the Loan Agreement, all or substantially all of its Property to any other Person unless:

(1) Either the Corporation will be the surviving Person or the successor or transferee Person shall be a Person organized and existing under the laws of the United States of America or a state thereof, shall be a Tax-Exempt Organization, and shall expressly assume in writing the due and punctual payment of the principal of and premium, if any, and interest on all Outstanding Notes according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Loan Agreement by a Supplemental Loan Agreement satisfactory to the Authority and the Trustee, executed and delivered by the Authority and such Person;

(2) The Trustee shall have received an Officer's Certificate to the effect that immediately after the merger, consolidation, sale or conveyance the successor or transferee Person could meet the conditions described in the Loan Agreement for the incurrence of one dollar of Additional Indebtedness under the Loan Agreement;

(3) If there remains unpaid any Bond which bears interest that is not includable in gross income under the Code, the Trustee shall have received an opinion of Bond Counsel, in form and substance satisfactory to the Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Bond, would not cause the interest payable on such Bond to become includable in gross income under the Code;

(4) The Trustee shall have received an Officer's Certificate which demonstrates and certifies that immediately upon such merger, consolidation, sale or conveyance the successor or transferee Person will not, as a result thereof, be in default in the performance or observance of any covenant or agreement to be performed or observed by it under the Loan Agreement or the Indenture; and

(5) Such successor or transferee shall possess such licenses and permits to operate such Property as may be required if it is to operate such Property.

Financial Statements and Other Information

The Corporation covenants that it will keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Corporation in accordance with accounting principles generally accepted in the United States of America consistently applied, and will furnish to the Authority, the Original Purchasers and the Trustee, and to any requesting Owner or Owners of 10% or more in aggregate principal amount of any Series of Bonds then Outstanding:

(a) As soon as practicable after they are available but in no event more than 180 days after the last day of each Fiscal Year, a complete audit report for such Fiscal Year accompanied by an opinion of an Accountant stating that such audit presents fairly the financial position of the Corporation, covering the operations of the Corporation for such Fiscal Year and containing a balance sheet as of the end of such Fiscal Year and a statement of cash flows and changes in net assets for such Fiscal Year, showing in each case in comparative form the financial figures for the preceding Fiscal Year, together with a separate written statement of the Accountant preparing such report that such Accountant has obtained no knowledge of any Event of Default or condition that with the passage of time or giving of notice or both would constitute an Event of Default by the Corporation as set forth in the Loan Agreement, or if such Accountant has obtained knowledge of any such Event or Events of Default, it shall disclose in such statement the Event or Events of Default and the nature thereof.

(b) At the time of delivery of the audit report referred to in Subsection (a) above, a certificate of the Corporation signed by its President, any Vice President or Treasurer or any other authorized officer of the Corporation, stating that the Corporation has made a review of its activities during the preceding Fiscal Year for the purpose of determining whether or not the Corporation has complied with all of the terms, provisions and conditions of the Loan Agreement and that the Corporation has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Loan Agreement on its part to be performed and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of the Loan Agreement, or if the Corporation shall be in default such certificate shall specify all such defaults and the nature thereof.

(c) Such additional information as the Authority, the Original Purchasers, the Trustee or the Owner or Owners of 10% or more in aggregate principal amount of any Series of Bonds then Outstanding may reasonably request concerning the Corporation, including such statistical and other operating information requested on a periodic basis, in order to enable the Authority, the Original Purchasers, the Trustee or such Owner or Owners to determine whether the covenants, terms and provisions of the Loan Agreement have been complied with by the Corporation and for that purpose all pertinent books, documents and vouchers relating to its business, affairs and properties shall at all times during regular business hours be open to the inspection of such accountant or other agent (who may make copies of all or any part thereof as shall from time to time be designated and compensated by the Authority, the Original Purchasers, the Trustee or such Owner or Owners of any Series of the Bonds).

(d) Without limiting the foregoing the Corporation will permit the Authority, the Original Purchasers, the Trustee and the Owner or Owners of 10% or more in aggregate principal amount of any Series of Bonds then Outstanding (or such persons as such Owner or Owners may designate) to visit and inspect at the expense of such person, any of the properties of the Corporation and to discuss the affairs, finances and accounts of the Corporation with its and their officers and independent accountants, all at such reasonable times and as often as the Authority, the Original Purchasers, the Trustee or such Owner or Owners may reasonably request; provided, however, any expenses reasonably incurred by the Trustee in connection with its duties under the Loan Agreement, the Indenture and any Bond Document shall be paid by the Corporation.

(e) The Corporation shall give prompt written notice of a change of its accountants to the Authority and the Trustee. The notice shall state: (i) the effective date of such change; (ii) whether there were any unresolved disagreements with the former accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which the accountants claimed would have caused them to refer to the disagreement in a report on the disputed matter, if it was not resolved to their satisfaction; and (iii) such additional information relating thereto as the Authority and the Trustee may reasonably request.

Licenses and Permits

The Corporation shall procure and maintain all licenses and permits necessary or desirable in the operation of its business, programs and facilities which the governing board of the Corporation determines are appropriate; provided, however, that the Corporation shall not be required to procure or maintain in effect any permit or license that the governing board of the Corporation determines in good faith, is not in the best interests of the Corporation and is no longer necessary or desirable in the conduct of its business and the lack of which will not materially impair the ability of the Corporation to pay or perform its obligations under the Loan Agreement.

Environmental Matters

The Corporation shall not store, locate, generate, produce, process, treat, transport, incorporate, discharge, emit, release, deposit or dispose of any hazardous material in, upon, under, over or from the Property of the Corporation in material violation of any environmental laws, shall not permit any hazardous material to be stored, located, generated, produced, processed, treated, transported, incorporated, discharged, emitted, released, deposited, disposed of or to escape therein, thereupon, thereunder, thereover or therefrom in material violation of any environmental laws, shall cause all hazardous materials to be properly removed therefrom and properly disposed of in accordance with all applicable material environmental laws, shall not install or permit to be installed any underground storage tank therein or thereunder in material violation of any environmental laws, and shall comply with all other material environmental laws which are applicable to the Property of the Corporation.

Restrictions as to Incurrence of Additional Indebtedness

Other than Indebtedness of the Corporation Outstanding on the date of delivery of the Loan Agreement, the Series 2015 Note being given by the Corporation in connection with the issuance of the Series 2015 Bonds, Additional Notes given by the Corporation pursuant to the Loan Agreement in connection with the issuance of Additional Bonds under the Indenture and Additional Obligations incurred pursuant to the Loan Agreement, the Corporation covenants and agrees that it will not incur any Additional Indebtedness, other than the following Additional Indebtedness, and then only if there shall not exist any Event of Default or condition that with the passage of time or giving of notice or both would constitute an Event of Default under the Indenture, the Loan Agreement or any Bond Document (unless such Additional Indebtedness is to be incurred to cure such Event of Default):

(a) Long-Term Indebtedness provided that:

(1) there shall be delivered to the Trustee a Officer's Certificate setting forth the intended uses of the proceeds of such Long-Term Indebtedness and, if such intended uses include the acquisition, construction or installation of land, facilities, equipment or other capital improvements, the estimated cost thereof; and

(2) the Corporation Representative shall have delivered with respect to the Corporation to the Trustee either:

(A) an Officer's Certificate that the Debt Service Coverage Ratio for the most recently ended Fiscal Year was not less than 1.10 for all Outstanding Long-Term Indebtedness (exclusive of any Outstanding Long-Term Indebtedness that is to be refunded or redeemed with proceeds of the Indebtedness proposed to be incurred) and the Long-Term Indebtedness then proposed to be incurred; or

(B) an Accountant's Certificate to the effect that for the most recently ended Fiscal Year the Debt Service Coverage Ratio of the Corporation was not less than 1.10 and a report or opinion by a Consultant (a "Consultant's Report") to the effect that the estimated annual Debt Service Coverage Ratio for each of the first two full Fiscal Years following the estimated completion of the acquisition, construction, renovation or replacement being paid for with the proceeds of such additional Long-Term Indebtedness, or following the incurrence of Long-Term Indebtedness for other purposes, will be not less than 1.25 after giving effect to the incurrence of such additional Long-Term Indebtedness and the application of the proceeds thereof.

(b) Refunding Indebtedness, if the average annual principal and interest payments will not increase by more than 10% or the conditions for Long-Term Indebtedness set forth in (a) have been met.

(c) Short-Term Indebtedness if immediately after the incurrence of such Short-Term Indebtedness, the principal amount of all Outstanding Short-Term Indebtedness does not exceed 15% of the Total Operating Revenues of the Corporation as shown on the audited financial statements of the Corporation for the most recent Fiscal Year; provided, however, for a period of at least 20 consecutive days within each Fiscal Year, the Corporation shall reduce the aggregate principal amount of all outstanding Short-Term Indebtedness to 5% or less of its Total Operating Revenues for the immediately preceding Fiscal Year, and if the Corporation fails to meet such requirement such Indebtedness shall be considered Long-Term Indebtedness of the Corporation subject to the requirements of paragraph (a) of this Section. Short-Term Indebtedness may also be incurred if such Short-Term Indebtedness could be incurred under the Loan Agreement assuming it was Long-Term Indebtedness.

(d) Commitment Indebtedness.

(e) Liabilities incurred pursuant to reimbursement agreements relating to letters or lines of credit or similar credit facilities used to secure Indebtedness (or provide liquidity support therefor).

(f) Liabilities (other than for borrowed money or rents payable under Capital Leases) incurred by the Corporation in the regular operations of its business.

(g) Subordinated Indebtedness, without limitation but has the same payment dates as the Series 2015 Note.

(h) Non-Recourse Indebtedness; provided that the principal amount of such Non-Recourse Indebtedness to be incurred, together with the then outstanding Non-Recourse Indebtedness incurred pursuant to this Section, shall not exceed 10% of the Book Value of the Corporation's Property, Plant and Equipment.

(i) Guaranties; provided the requirements for Long Term or Short Term Indebtedness, as appropriate, are met.

(j) Capitalized Leases; provided that such Capitalized Leases could be incurred under the Loan Agreement assuming it was Long-Term Indebtedness.

(k) The Corporation may incur Purchase Money Indebtedness if, immediately after entering into such Purchase Money Indebtedness, the aggregate principal amount due on all Purchase Money Indebtedness then Outstanding will not be greater than 15% of the Revenues of the Corporation as shown on the audited financial statements of the Corporation for the most recent fiscal year for which audited financial statements are available.

Calculation of Debt Service

(a) *Guaranties.* When calculating the principal and the Debt Service Requirements attributable to a Guaranty that is deemed to be Indebtedness of the Corporation:

(1) The principal amount of such Indebtedness shall be deemed to equal the principal amount of the obligation guaranteed by the Corporation.

(2) The Debt Service on such Indebtedness shall be deemed to be:

(A) **0%** of the debt service requirements (calculated in the same manner as Debt Service of the Corporation) on the guaranteed obligation, if the Corporation has not been called upon to make a payment under Guaranty within the **12** months immediately preceding the date of the calculation, if the primary obligor's income available for debt service (calculated in the same manner as Net Revenues Available for Debt Service of the Corporation) for the period of calculation was or is projected or forecasted to be at least equal to **200%** of the average annual debt service requirements of the primary obligor (calculated in the same manner as Average Annual Debt Service of the Corporation).

(B) **20%** of the debt service requirements (calculated in the same manner as Debt Service of the Corporation) on the guaranteed obligation, if the Corporation has not been called upon to make a payment under Guaranty within the **12** months immediately preceding the date of the calculation, and the primary obligor's income available for debt service (calculated in the same manner as Net Revenues Available for Debt Service of the Corporation) for the period of calculation was or is projected or forecasted to be at least equal to **125%** (but less than **200%**) of the average annual debt service requirements of the primary obligor (calculated in the same manner as Average Annual Debt Service of the Corporation); or

(C) **100%** of the debt service requirements (calculated in the same manner as Debt Service of the Corporation) on the guaranteed obligation, if either (i) the Corporation has made any payment in respect of the debt service requirements on the guaranteed obligation within the 12 months immediately preceding the date of the calculation, or (ii) the income available for debt service (calculated in the same manner as Net Revenues Available for Debt Service of the Corporation) of the primary obligor for the period of calculation was or is projected or forecasted to be less than **125%** of the average annual debt service requirements of the primary obligor (calculated in the same manner as Average Annual Debt Service of the Corporation);

(b) *Long-Term Indebtedness Supported By Commitment Indebtedness.* The Debt Service on Long-Term Indebtedness with respect to which the Corporation has incurred Commitment Indebtedness that would refinance such Indebtedness for a period extending beyond its original maturity date, may at the discretion of the Corporation be deemed to be payable in accordance with the terms of such Commitment Indebtedness if the financial institution providing the Commitment Indebtedness is rated at least "A" by both Moody's and Standard & Poor's.

(c) *Variable Rate Indebtedness.* In determining the Debt Service on any Indebtedness which provides for interest to be payable thereon at a rate per annum that may vary from time to time over the term thereof in accordance with procedures provided in the instrument creating such Indebtedness and which for any future period of time is not susceptible of precise determination, the interest rate on such Indebtedness for any period prior to the date of calculation or for which the interest rate has been determined shall be the actual interest rate payable during such period, and for each year in which such Indebtedness is Outstanding and for which the actual interest rate cannot be determined, the interest rate on such Indebtedness for the period of determination shall be deemed to be the higher of the average annual rate of interest payable on such Indebtedness during the **12** months immediately preceding the date of calculation or the current rate, or if such Indebtedness is to be incurred (or was incurred less than **12** months preceding such date), the higher of the initial rate or the average annual rate of interest payable on such Indebtedness during such period immediately preceding the date of calculation.

Events of Default

The occurrence and continuance of any of the following events shall constitute an “Event of Default” under the Loan Agreement:

(a) failure of the Corporation to pay any installment of interest or principal, or any premium, on the Series 2015 Note, any Additional Note or any Additional Obligation when the same shall become due and payable, whether at maturity or upon any date fixed for prepayment or by acceleration or otherwise or the failure to comply with any provisions applicable to Subordinated Indebtedness; or

(b) failure of the Corporation to observe or perform any of the other covenants, conditions or provisions of the Loan Agreement or to make any other payment required to be made under the Loan Agreement and to remedy such default within 30 days after written notice thereof from the Authority or the Trustee to the Corporation, provided that if in the opinion of the Trustee such default is correctable but is such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Corporation within such period and diligently pursued until the default is corrected; or

(c) if any representation or warranty made by the Corporation in the Loan Agreement, the Water Purchase Contracts or any other Bond Document or in any statement or certificate furnished by the Corporation to the Authority or the Trustee or the Original Purchaser of any Bonds in connection with the sale of any Bonds, or furnished by the Corporation pursuant hereto proves untrue in any material respect as of the date of the issuance or making thereof and shall not be made good within 30 days after written notice thereof to the Corporation by the Authority or the Trustee; or

(d) failure of the Corporation to observe or perform any of the covenants, conditions or provisions of the Mortgage and to remedy such default within 30 days after notice thereof from the Authority or the Trustee to the Corporation, provided that if in the opinion of the Authority and the Trustee such default is correctable but is such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Corporation within such period and diligently pursued until the default is corrected; or

(e) default in the payment of the principal of or interest on any obligation of the Corporation for borrowed money, as and when the same shall become due, or under any mortgage, agreement or other instrument under or pursuant to which such indebtedness is issued, and continuance of such default beyond the period of grace, if any, allowed with respect thereto; or

(f) entry or filing of any judgment, writ or warrant of attachment or of any similar process in an amount in excess of \$50,000 against the Corporation or against any of its property and failure of the Corporation to vacate, pay, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process for a period of 30 days; or

(g) admission by the Corporation of insolvency or bankruptcy or its inability or failure to pay its debts as they become due, or the Corporation makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for the Corporation, or for the major part of its property or the Corporation is generally not paying its debts as such debts become due; or

(h) appointment of a trustee, custodian or receiver for the Corporation or for the major part of its property and failure to obtain discharge of such within 30 days after such appointment; or

(i) institution of bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for

relief under any bankruptcy law or similar law for the relief of debtors by or against the Corporation (other than bankruptcy proceedings instituted by the Corporation against third parties), and, if instituted against the Corporation, allowance against the Corporation or the Corporation consents to such proceedings or fails to obtain dismissal, stay or other nullification within 30 days after such institution; or

- (j) the occurrence and continuance of any “Event of Default” specified in the Indenture.

Remedies Upon Default

Upon the occurrence and continuance of any Event of Default under the Loan Agreement, the Authority shall have the following rights and remedies, in addition to any other remedies provided in the Loan Agreement or by law:

(a) *Acceleration of Maturity; Waiver of Event of Default and Rescission of Acceleration.* The Trustee, as assignee of the Authority may, by written notice to the Corporation, declare the principal of the Series 2015 Note, any Additional Notes and, if deemed appropriate, any Additional Obligations (if not then due and payable) to be due and payable immediately, and upon any such declaration the principal of the Series 2015 Note, Additional Note or Additional Obligation, as the case may be, shall become and be immediately due and payable as if all of the sums of money payable thereunder were originally stipulated to be paid on such accelerated payment date, anything in the Series 2015 Note, Additional Note or Additional Obligation, as the case may be, or in the Loan Agreement contained to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Series 2015 Note, Additional Note or Additional Obligation shall have been so declared and become due and payable and prior to the date of any sale of any part of the Mortgaged Property pursuant to the Mortgage, all arrears of interest and principal then due, if any, upon the Series 2015 Note, and Additional Notes and Additional Obligations and the fees, costs, advances and expenses (including without limitation attorney’s fees and expenses) of the Authority and the Trustee shall be paid by the Corporation, and every other default in the observance or performance of any covenant, condition or agreement contained in the Loan Agreement, any Supplemental Agreement, the Series 2015 Note, any Additional Note, any Additional Obligation and/or the Mortgage shall be made good, or be secured, to the satisfaction of the Authority, or provision deemed by the Authority to be adequate shall be made therefor, then and in every such case the Trustee, by written notice to the Corporation, may waive the Event of Default by reason of which the principal of the Series 2015 Note, Additional Note or Additional Obligation shall have been so declared and become due and payable, and may rescind and annul such declaration and its consequences; but no such waiver, rescission or annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

(b) *Right to Bring Suit, Etc.* The Trustee, with or without entry, personally or by attorney, may in its discretion without notice or demand (a) proceed to protect and enforce its rights by a suit or suits in equity or at law, whether for damages or for the specific performance of any covenant or agreement contained in the Series 2015 Note, any Additional Note, any Additional Obligation, the Mortgage or the Loan Agreement, or in aid of the execution of any power herein or therein granted, or for any foreclosure, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee shall deem effectual to protect and enforce any of its rights or duties under the Loan Agreement or thereunder or (b) take all actions necessary or appropriate to cause the Mortgage Trustee to exercise the rights and powers set forth in the Mortgage or (c) avail itself of all other rights or remedies available to it.

(c) *Right to Enter.* The Trustee may enter and take possession of the Facility or any part thereof without termination of the Loan Agreement and use its best efforts to lease the Facility as provided in the Mortgage.

If the Trustee or the Mortgage Trustee exercises any of its rights under the Loan Agreement, it shall give notice of such exercise to the Corporation (i) in writing in the manner provided in the Loan Agreement and (ii) by telephone or facsimile, provided that failure to give such notice by telephone or facsimile shall not affect the validity of the exercise of any right or remedy.

If the Trustee elects to re-lease the Facility or any part thereof under the provisions of the Mortgage, it may collect the rents from such re-lease and apply the same, first, to the payment of the fees, costs, advances and expenses of entry and leasing, and, second, to the Loan Payments payable under the Loan Agreement. In the event that the proceeds from such re-lease are not sufficient to pay in full the foregoing, the Corporation shall remain and be liable therefor. The Corporation promises and agrees to pay the amount of any such deficiency from time to time, and the Trustee may at any time and from time to time sue and recover judgment for any such deficiency or deficiencies plus interest at the Prime Rate plus 2% from the date of the invoice for such deficiency until paid.

Appointment of Receiver

The Corporation further covenants that upon the happening of any Event of Default and thereafter during the continuance of such Event of Default unless the same shall have been waived as provided in the Loan Agreement, the Trustee shall be entitled as a matter of right if it shall so elect, (i) forthwith and without declaring the principal of the Notes to be due and payable, or (ii) after declaring the same to be due and payable, or (iii) upon the commencement of any foreclosure of the Mortgage or action to enforce the specific performance thereof or in aid thereof or upon the commencement of any other proceedings, judicial or otherwise, to enforce any right of the Trustee to institute such actions or proceedings at law or in equity for the appointment of a receiver or receivers of the Mortgaged Property and all the earnings, revenues, rents, issues, profits and income thereof, with such powers as the court making such appointment shall confer.

SUMMARY OF DEED OF TRUST, MORTGAGE AND SECURITY AGREEMENT

The following is a summary of certain provisions contained in the Deed of Trust, Mortgage and Security Agreement. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Deed of Trust, Mortgage and Security Agreement for a complete recital of the terms thereof.

Mortgage and Security Interest

The Corporation, in order to secure payment of the Series 2015 Note, any Additional Notes, any Additional Obligations, the Loan Agreement, the Indenture and any other Bond Documents, has granted a mortgage encumbering its real property and a security interest in its personal property related to its Facility, as described in the Mortgage.

Conditions for Release of Portions of the Mortgaged Property

(a) *General Provisions for Release.* So long as no default shall have occurred and be continuing under the Loan Agreement, the Series 2015 Note, any Additional Note, any Additional Obligations, the Mortgage or the Indenture, the Trustee, as assignee of the Authority, and the Mortgage Trustee shall release, without the consent of any of the Owners of the Bonds, the Series 2015 Note, any

Additional Notes or any Additional Obligations, any of the Mortgaged Property (other than Unrestricted Receivables) subject to the lien of the Mortgage upon receipt by the Trustee of the following:

(1) *Request of Corporation.* A written request of the Corporation for such release, describing the property to be released (referred to in this Section as the “Released Property”).

(2) *Certificate of Corporation.* A certificate of the Corporation to the Trustee certifying:

(i) That the Corporation has substituted property (said property being referred to in this Section as “Substituted Property”) of equal value for the Released Property or has deposited prorata, based upon the outstanding principal amount of the Notes and the Additional Obligations, with the Trustee cash equal to the fair market value of the Released Property;

(ii) The fair market value of the Released Property and of the Substituted Property to be substituted for the Released Property pursuant to the terms of the Deed of Trust, Mortgage and Security Agreement;

(iii) The disposition or use to be made of the Released Property and the consideration, including the fair market value of consideration other than money, to be received for the Released Property;

(iv) That the disposition or use of the Released Property and the substitution therefor of the Substituted Property or cash will not materially adversely affect the operations of the Facility or any other properties of the Corporation or the ability of the Corporation to satisfy its obligations under the Loan Agreement, the Series 2015 Note, any Additional Note, any Additional Obligation or the Mortgage and will not materially reduce or adversely affect the Net Revenues Available for Debt Service, as defined in the Indenture;

(v) That the Substituted Property is necessary or useful in the operation of the Facility;

(vi) That the fair market value of the Substituted Property together with cash, if any, or all cash to be received is at least equal to the fair market value of the Released Property;

(vii) That the execution and delivery of the release by the Trustee and the subjection of the Substituted Property to the lien of the Mortgage will not result in a default under the Deed of Trust, Mortgage and Security Agreement or under the Loan Agreement or the Indenture; and

(viii) That all required permits and authorizations of all federal, state and local governmental bodies and agencies have been granted, or that no such permits or authorizations, other than those granted, are required.

(3) *Appraisal of the Released Property.* An independent appraisal of the fair market value of the Released Property by a member of the American Institute of Real Estate Appraisers licensed in Missouri (an “MAI Appraiser”) if the Released Property is real property, or by another expert acceptable to the Trustee if the Released Property is not real property.

(4) *Appraisal of the Substituted Property.* An independent appraisal of the fair market value of the Substituted Property by an MAI appraiser if the Substituted Property is real property, or another expert satisfactory to the Trustee if the Substituted Property is not real property.

(5) *Record of Released Property.* An up-to-date record of property released from the lien of the Mortgage, which list shall identify such Released Property by description, serial number or other particular identifying designation.

(6) *Documents of Conveyance.* A Supplemental Mortgage and other documents reasonably requested by, and in form satisfactory to, the Trustee to subject the Substituted Property to the terms of the Loan Agreement and the liens and security interest created by the Loan Agreement and by the Mortgage and, if the Substituted Property is real property, an amendment to the existing mortgagee's title insurance policy, evidencing that the Substituted Property is subject to the lien of the Mortgage subject only to Permitted Encumbrances as defined in the Indenture.

(7) *Opinion of Counsel.* An Opinion of Counsel addressed to the Trustee to the effect that:

(i) The release of the property requested by the Corporation is authorized under the Mortgage;

(ii) The Substituted Property is subject to the terms of the Loan Agreement and the Mortgage and to the liens and security interests created by the Loan Agreement and by the Mortgage, subject only to Permitted Encumbrances, as to which the attorney rendering such opinion may rely on the mortgagee's title insurance policy referred to in paragraph (6) above;

(iii) The execution and delivery of the requested release and the acceptance of the Substituted Property will not violate any provision of the Loan Agreement, the Mortgage, the Tax Compliance Agreement or the Indenture; and all necessary action required to be taken by the Corporation and by the Trustee to effect the release of the Released Property and the conveyance of the Substituted Property has been taken;

(iv) The Supplemental Mortgage and all other documents required to effect the release of the Released Property and substitution therefor of the Substituted Property have been duly authorized, executed and delivered and are binding upon the parties executing and delivering the same in accordance with their respective terms; and

(v) To Counsel's knowledge all required permits and authorizations of all federal, state and local governmental bodies and agencies have been granted, or that no such permits or authorizations, other than those granted, are required.

(b) *Release by Reason of Error or Mistake and of Certain Small Items.* Notwithstanding any other provision of this Section, without consent of any of the Owners of the Bonds and without requiring substitution of property therefor, the Trustee, as assignee of the Authority, shall have the right to consent to the removal from the coverage of the lien and security interest created by the Mortgage of: (1) any of the Mortgaged Property which has been subjected thereto by reason of an error or mistake provided the Corporation files with the Trustee notice of its intention to remove such property at least ten Business

Days prior to such removal; (2) any of the tangible Personal Property having an original cost aggregating not more than two percent of the net Book Value of the Corporation's major movable equipment in any one Fiscal Year; (3) any of the Personal Property which has been fully depreciated in the financial records of the Corporation; and (4) Personal Property acquired after the date of issuance of the Series 2015 Bonds which has been purchased with funds derived from sources other than proceeds of the Bonds. On or before February 1 in each year after the year 2010, the Corporation shall file with the Trustee a schedule setting out in reasonable detail a description of the property so removed pursuant to this section for the preceding Fiscal Year, and in the case of property so removed pursuant to clause (2), the aggregate original cost thereof.

(c) *Release of Inadequate, Obsolete, Etc. Items.* Notwithstanding any other provision of this Section, in any instance where the Corporation in its sound discretion determines that any item of machinery or equipment has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, the Corporation may remove such item of equipment from the Mortgaged Property and sell, trade in, exchange or otherwise dispose of the same (as a whole or in part) free of the lien and security interest created by the Mortgage without any responsibility or accountability to the Authority or the Trustee therefor, provided that the Corporation substitutes and installs anywhere in the Mortgaged Property other items of machinery or equipment deemed necessary or useful and having equal or greater utility (but not necessarily having the same function) in the operation of the Mortgaged Property and provided further such removal and substitution shall not impair the operating utility of the Project.

(d) *Disposition of Substituted Property when Cash Delivered.* The Corporation agrees that any cash delivered to the Trustee in connection with the release of Released Property pursuant to this Section shall be deposited by the Trustee in the Debt Service Fund and shall be used to redeem Bonds on the earliest possible redemption date.

(e) *Circumstances When Release Not Required.* The provisions of the Mortgage shall not be construed to (1) restrict the Corporation's rights under the Loan Agreement to make replacements, additions, alterations, changes, modifications and improvements to the Mortgaged Property, to install and remove equipment, to sell, lease or otherwise dispose of Property comprising the Mortgaged Property free and clear of the lien and security interest created in the Mortgage, or to merge or consolidate, or to sell or convey substantially all of the Mortgaged Property or to exercise any other of its rights with respect to the Mortgaged Property pursuant to and in accordance with the provisions of the Loan Agreement, or (2) require, as a condition to the exercise of any such rights under the Loan Agreement, compliance with the provisions of the Mortgage for release of any such Mortgaged Property from the Mortgage. Concurrently with delivery of the schedule described in subsection (b) of this section, the Corporation shall deliver to the Trustee a schedule of any replacement property that is required to be subject to the lien and security interests created by the Loan Agreement and the Mortgage.

Effect of Default under Loan Agreement, Mortgage or Indenture

If an Event of Default under the Indenture, the Loan Agreement or under the Mortgage occurs and shall be continuing as provided therein or in the Mortgage, the Trustee may declare the Series 2015 Note, any Additional Notes and, if deemed appropriate, any Additional Obligations forthwith due and payable as if all of the sums of money payable thereunder were originally stipulated to be paid on such accelerated payment date; and thereupon the Trustee without notice or demand to the Corporation, to the extent permitted by the law of the State of Missouri, may prosecute a suit at law and/or in equity as if all moneys secured had matured prior to institution of such suit, or commence foreclosure proceedings under the power of sale provided for by the Mortgage.

Power of Sale; Purchase by Trustee

If default be made in the payment of the Series 2015 Note, any Additional Note or any Additional Obligation any part thereof or any of the interest or premium thereon when due, or in the faithful performance of any of the agreements, conditions and/or covenants contained and set forth in the Mortgage or in the Series 2015 Note, any Additional Note, any Additional Obligation or in any other document or instrument evidencing, securing or otherwise relating to the debt evidenced by the Series 2015 Note, any Additional Note or Additional Obligation (including but not limited to the Loan Agreement, the Indenture and the Mortgage), then the whole of the Series 2015 Note, Additional Note or Additional Obligation shall become due at the option of the Trustee, as assignee of the Authority, as provided in the Mortgage, and the Mortgage shall remain in force, and the Mortgage Trustee, or a successor trustee as described in the Mortgage, may proceed to sell the Mortgaged Property and any and every part thereof, at public venue, to the highest bidder, at the then customary place in the county of the sale, for cash. Moneys collected by the Mortgage Trustee or the Trustee, as assignee of the Authority, pursuant to the sale or other disposition of the Mortgaged Property shall be paid over and shall be applied as provided in the Indenture.

Amendments, Changes and Modifications

(a) *Amendments without Consent of Bondowners.* Without the consent of the owners of any Bonds, the Authority, the Trustee, the Mortgage Trustee and the Corporation may from time to time enter into one or more amendments to the Mortgage, for any of the following purposes:

(1) to correct or amplify the description of any property of the Corporation at any time subject to the Mortgage, or to subject to the Mortgage additional property or to substitute property as provided in the Mortgage, or add additional property thereto; or

(2) to add to the conditions, limitations and restrictions on the terms or purposes of the Mortgage, as set forth in the Deed of Trust, Mortgage and Security Agreement, additional conditions, limitations and restrictions thereafter to be observed; or

(3) to evidence the succession of another corporation to the Corporation as permitted in the Loan Agreement and the assumption by any such successor of the covenants of the Corporation contained in the Mortgage; or

(4) to add to the covenants of the Corporation or to the rights, powers and remedies of the Bond Trustee for the benefit of the owners of all or any series of Bonds or to surrender any right or power conferred in the Mortgage upon the Corporation; or

(5) to cure any ambiguity, to correct or supplement any provision in the Mortgage which may be inconsistent with any other provision in the Mortgage or to make any other provisions, with respect to matters or questions arising under the Mortgage, which shall not be inconsistent with the provisions of the Mortgage, provided such action shall not adversely affect the security of the owners of the Bonds.

(b) *Amendments with Consent of Bondowners.* With the consent of the owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such amendments to the Mortgage, the Authority, the Corporation, the Trustee and the Mortgage Trustee may enter into amendments to the Mortgage, for the purpose of adding any provisions to or changing in any manner or eliminating any of the

provisions of the Mortgage or of modifying in any manner the rights of the Trustee and the owners of the Bonds under the Mortgage.