

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 1, 2021

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

**NEW ISSUE
BOOK-ENTRY ONLY
BANK QUALIFIED**

**NOT RATED
See “Rating” herein.**

In the opinion of Gilmore & Bell, P.C., Special Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, (1) the interest component of the Rental Payments paid by the District with respect to the Series 2021 Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and Missouri income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax, and (2) the Series 2021 Certificates are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. See “TAX MATTERS” in this Official Statement.

\$2,350,000*

**PUBLIC WATER SUPPLY DISTRICT NO. 3 OF DAVIESS COUNTY, MISSOURI
REFUNDING AND IMPROVEMENT CERTIFICATES OF PARTICIPATION
SERIES 2021**

Dated: Date of Delivery

**Due: April 1,
as shown on inside cover**

The Series 2021 Certificates are deliverable only as fully registered certificates, without coupons, and, when delivered, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Series 2021 Certificates. Purchases of the Series 2021 Certificates will be made in book-entry form, in authorized denominations. Purchasers will not receive certificates representing their interests in Series 2021 Certificates purchased. So long as Cede & Co. is the registered owner of the Series 2021 Certificates, as nominee of DTC, references herein to the owners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (herein defined) of the Series 2021 Certificates. Principal and interest components of Rental Payments represented by the Series 2021 Certificates will be payable at maturity or upon earlier prepayment at the payment office of Security Bank of Kansas City, Kansas City, Kansas, as trustee and paying agent (the “Trustee” and “Paying Agent”). So long as DTC or its nominee, Cede & Co., is the owner, such payments will be made directly to such owner. DTC is expected, in turn, to remit such payments to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners.

The Series 2021 Certificates will be delivered in the denomination of \$5,000 or any integral multiple thereof. Principal components of Rental Payments will be payable each April 1, beginning April 1, 2022, and semiannual interest components of Rental Payments will be payable each April 1 and October 1, beginning October 1, 2021. Principal components of Rental Payments will be payable by check or draft mailed by the Trustee upon presentation and surrender of the Series 2021 Certificates by the registered owners thereof at the payment office of the Trustee. Interest components of Rental Payments will be payable by check or draft mailed (or by electronic transfer in certain circumstances as described herein) by the Trustee to the person in whose name each Series 2021 Certificate is registered on the 15th day of the month next preceding each interest payment date.

The Series 2021 Certificates evidence undivided ownership interests in the right to receive Rental Payments from the District under an annually renewable Lease Purchase Agreement dated as of April 1, 2021 (the “Lease Agreement”), between the Trustee, as lessor, and the District, as lessee. The Series 2021 Certificates are to be executed and delivered pursuant to a Trust Indenture dated as of April 1, 2021 (the “Indenture”), executed by the Trustee and the District. The net proceeds from the Series 2021 Certificates, together with other available funds of the District, will be used to (1) finance and refinance the costs of certain improvements for the District as further described herein, and (2) to pay the costs related to the delivery and sale of the Series 2021 Certificates.

Neither the Series 2021 Certificates nor the Lease Agreement shall constitute a liability or obligation of the District beyond the Lease Term in effect at any time. The District is under no obligation to renew the Lease Agreement at the end of the Original Term or any Renewal Term. Neither the Series 2021 Certificates nor the Lease Agreement will constitute a general obligation or indebtedness of the District within the meaning of any constitutional or statutory debt limitation or restriction.

Series 2021 Certificates shall be subject to payment prior to maturity as more fully described herein.

The Series 2021 Certificates will be offered when, as and if delivered and approved by the Underwriter, subject to prior sale, modification or withdrawal of the offer without sale, and subject to the approval of validity and certain other matters by Gilmore & Bell, P.C., Kansas City, Missouri, Special Counsel, and certain other conditions. Certain legal matters related to this Official Statement will be passed upon by Gilmore & Bell, P.C. It is expected that the Series 2021 Certificates will be available for delivery in New York, New York on or about April __, 2021.



The date of this Official Statement is April __, 2021.

* Preliminary, subject to change.

\$2,350,000*
PUBLIC WATER SUPPLY DISTRICT NO. 3 OF DAVIESS COUNTY, MISSOURI
CERTIFICATES OF PARTICIPATION
SERIES 2021

MATURITY SCHEDULE*

Serial Certificates

Maturity Date <u>April 1</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Price</u>
2022	\$95,000	%	%
2023	100,000		
2024	100,000		
2025	100,000		
2026	105,000		
2027	105,000		
2028	110,000		
2029	110,000		
2030	115,000		
2031	115,000		
2032	115,000		
2033	120,000		
2034	120,000		
2035	125,000		

Term Certificates

Maturity Date <u>April 1</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Price</u>
2038	\$390,000	%	%
2041	425,000		

* Preliminary, subject to change.

**PUBLIC WATER SUPPLY DISTRICT NO. 3 OF DAVIESS COUNTY, MISSOURI
116 WATERWORKS STREET
GALLATIN, MISSOURI 64640
(660) 663-2771**

BOARD OF DIRECTORS

Kyle Parkhurst, President
Troy Lesan, Vice President
Jeffrey Speaker, Secretary
Mark White, Board Member
Harlan Horst, Board Member

DISTRICT ADMINISTRATION

Roger Barker, District Manager
Gary King, Water Operator
Diane Hulett, District Clerk

UNDERWRITER

D.A. Davidson & Co.
Kansas City, Missouri

SPECIAL COUNSEL

Gilmore & Bell, P.C
Kansas City, Missouri

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2021 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2021 CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE 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, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of that information.

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representation with respect to the Series 2021 Certificates offered hereby other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Series 2021 Certificates offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the District and from other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES 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.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “anticipate,” “projected,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THESE FUTURE RISKS AND UNCERTAINTIES INCLUDE THOSE DISCUSSED IN THE “RISK FACTORS AND INVESTMENT CONSIDERATIONS” SECTION OF THIS OFFICIAL STATEMENT. NEITHER THE DISTRICT NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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FOR THE YEAR ENDED DECEMBER 31, 2019

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OFFICIAL STATEMENT

\$2,350,000*

PUBLIC WATER SUPPLY DISTRICT NO. 3 OF DAVIESS COUNTY, MISSOURI REFUNDING AND IMPROVEMENT CERTIFICATES OF PARTICIPATION SERIES 2021

INTRODUCTION

This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to the entire Official Statement and should be read in conjunction with the more detailed information and financial statements of the District contained in the specific sections of this Official Statement and a full review should be made of the entire Official Statement and the documents summarized or described herein.

Purpose of this Official Statement

This Official Statement, including its appendices, is furnished to provide information relating to the Public Water Supply District No. 3 of Daviess County, Missouri (the “District”) and \$2,350,000* aggregate principal amount of the Public Water Supply District No. 3 of Daviess County, Missouri Refunding and Improvement Certificates of Participation, Series 2021 (the “Series 2021 Certificates”).

The District

The District a public water supply district and political subdivision duly organized and existing under the laws of the State of Missouri. The District owns and operates a water system (the “System”) to treat and distribute water to users within the District. See “GENERAL AND DEMOGRAPHIC INFORMATION” in *Appendix A* to this Official Statement.

Purpose of the Series 2021 Certificates

The proceeds from the sale of the Series 2021 Certificates will be used, together with other available funds of the District, to (1) acquire, construct, improve furnish and equip improvements to the water system (collectively, the “Project”), (2) prepay a prior lease purchase agreement (the “Prior Lease”) of the District that financed the costs of new water metering equipment and related appurtenances, and (3) to pay the costs related to the delivery of the Series 2021 Certificates. See the caption “PLAN OF FINANCE” herein.

Security and Source of Payment

Pursuant to the terms of a Lease Purchase Agreement dated as of April 1, 2021 (the “Lease Agreement”), between the District and Security Bank of Kansas City, Kansas City, Kansas, as trustee (the “Trustee”) and a Trust Indenture dated as of April 1, 2021 (the “Indenture”) between the District and the Trustee, (a) the District will transfer all interest in certain personal property (the “Leased Property”) to the Trustee, (b) the proceeds of the Series 2021 Certificates will be used to finance the costs of the Project and to prepay the Prior Lease, and (c) the Trustee will lease the Leased Property (which does not include any interest in the underlying real property) to the District for an initial term ending December 31, 2021 (the “Original Term”), with successive one-year renewal options, provided that the final renewal term does not extend beyond December 31, 2041 (the “Renewal Terms”), which Renewal Terms are subject to the District’s annual budget appropriations.

* Preliminary, subject to change.

The Series 2021 Certificates evidence undivided ownership interests in the right to receive lease payments (the “Rental Payments,” consisting of “Principal Components” and “Interest Components”) under the Lease Agreement. The Series 2021 Certificates are being executed and delivered pursuant to the Indenture, which will be executed by the District and the Trustee.

The Series 2021 Certificates will be payable solely from the rents, revenues and receipts received by the Trustee, as lessor under the Lease Agreement, for the use of the Leased Property and not from any other fund or source of the Trustee, from certain proceeds of insurance policies or condemnation awards, from interest earnings on moneys in certain funds held by the Trustee, from money derived from the sale or lease of the Leased Property or portions thereof and not from any other fund or source of the Trustee. Pursuant to the Indenture, the Trustee will pledge and assign such rents, revenues and receipts and other moneys to the payment of the Series 2021 Certificates and the Interest Component due thereon. The District intends to satisfy its obligation to make Rental Payments from appropriated funds from revenues available from the District’s waterworks system (the “System”). Purchasers of the Series 2021 Certificates should be aware, however, that such funds are not pledged to the payment of the Series 2021 Certificates. Property taxes, revenues from the operation of the System or other funds, are not, and can not be, pledged to the payment of the Series 2021 Certificates.

Parity Obligations

The Indenture provides for the future delivery of additional certificates (“Additional Certificates”) which, if delivered, would rank on a parity with the Series 2021 Certificates and any other certificates then outstanding under the Indenture. See the caption “SECURITY FOR THE SERIES 2021 CERTIFICATES – Parity Obligations” herein. The Series 2021 Certificates and any future Additional Certificates delivered under the Indenture are hereinafter referred to collectively as the “Certificates.”

Limited Obligations

The payments scheduled to be made by the District under the Lease Agreement are payable solely from amounts which may but are not required to be appropriated annually by the District. See “SECURITY FOR THE SERIES 2021 CERTIFICATES” herein. The Series 2021 Certificates, the Lease Agreement and any payments required under the Lease Agreement shall not constitute a mandatory payment obligation of the District in any year beyond the year during which the District is a lessee under the Lease Agreement, or constitute or give rise to a general obligation or other indebtedness of the District. The District is not legally obligated to budget or appropriate moneys for any fiscal year beyond the current fiscal year or any subsequent fiscal year in which the Lease Agreement is in effect, and there can be no assurance that the District will appropriate funds to make Rental Payments or renew the Lease Agreement after the Original Term or any Renewal Term of the Lease Agreement. The District may terminate its obligations under the Lease Agreement on an annual basis. The District will have the option to purchase the Trustee’s interest in the Leased Property as provided in the Indenture and the Lease Agreement.

Except for its duties as Trustee to make payments from the funds and accounts created and held under the Indenture, the Trustee has no obligation to make any debt service payment on the Series 2021 Certificates or any payments under the Lease Agreement.

Risk Factors

Payment of the Principal Component and Interest Component distributable with respect to the Series 2021 Certificates is subject to certain risks. See the caption “RISK FACTORS AND INVESTMENT CONSIDERATIONS.”

Continuing Disclosure Information

The District has covenanted in its Continuing Disclosure Certificate to provide certain financial information and notices of material events to the Municipal Securities Rulemaking Board, in compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Other Information

This Official Statement includes financial and other information about the District and also contains descriptions of the Series 2021 Certificates, the Lease Agreement and the Indenture. See “DEFINITIONS OF TERMS AND SUMMARIES OF CERTAIN DOCUMENTS” in *Appendix C* hereto. The descriptions of the Series 2021 Certificates, the Lease Agreement, the Indenture and other documents described in this Official Statement do not purport to be definitive or comprehensive, and all references to those documents are qualified in their entirety by reference to the approved form of those documents, copies of which may be viewed at the office of the District, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

THE SERIES 2021 CERTIFICATES

General

The Series 2021 Certificates will be dated their date of delivery, will mature on April 1 in the years and in the respective principal amounts (subject to prior prepayment as described herein) and shall bear interest at the respective rates per annum, as set forth on the Inside Cover Page hereof. The Series 2021 Certificates will be delivered in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The Principal Component and prepayment premium, if any, of Rental Payments represented by Series 2021 Certificates shall be payable by check or draft mailed to the registered owner thereof at the payment office of the Trustee upon presentation and surrender thereof. The Interest Components of Rental Payments represented by the Series 2021 Certificates shall be payable semiannually on April 1 and October 1, beginning October 1, 2021, to the registered owner of each Certificate, determined as of the close of business on the Record Date (which shall be the fifteenth day of the calendar month next preceding the Certificate Payment Date) (a) by check or draft mailed to such registered owner at the address appearing on the registration books of the Trustee or its successor, as registrar, or (b) in the case of an interest payment to the Securities Depository or to any other Registered Owner of \$500,000 or more in aggregate principal amount of the Series 2021 Certificates, by electronic transfer to such Registered Owner upon written request given to the Trustee by such Registered Owner, not less than 5 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank (which shall be in the continental United States), ABA routing number and account name and account number to which such Registered Owner wishes to have such transfer directed. All such payments shall be made in lawful money of the United States of America.

Prepayment of Series 2021 Certificates

Excess Proceeds Prepayment. At the option of the District, amounts remaining in the Project Fund established under the Indenture upon completion of the Project may be used to prepay Series 2021 Certificates at a prepayment price of 100% of the Principal Component represented thereby, provided that the District has delivered to the Trustee a Completion Certificate as provided in the Lease and the Indenture, and further provided that such prepayment occurs prior to April 1, 2024.

Annual Optional Prepayment. At the option of the District, the Series 2021 Certificates are subject to prepayment in whole or in part at any time in an amount up to \$50,000 per fiscal year of the District at the prepayment price at 100% of the Principal Component represented thereby, plus the Interest Component accrued thereon to the prepayment date.

Optional Prepayment. At the option of the District, the Series 2021 Certificates are subject to prepayment on or after April 1, ____ and thereafter, as a whole or in part, at 100% of the Principal Component represented thereby, plus the Interest Component accrued thereon to the prepayment date.

Extraordinary Optional Prepayment. The Series 2021 Certificates shall be subject to extraordinary optional prepayment prior to the stated maturity thereof, upon instructions from the District, as a whole or in part at any time at a price of 100% of the Principal Component represented thereby, plus the Interest Component accrued thereon to the prepayment date, upon the occurrence of any of the following conditions or events:

- (a) if title to, or if the temporary or permanent use of, all or substantially all of the Leased Property or the estate of the District or the Trustee in such Leased Property shall be taken in any condemnation proceeding brought by any authority (other than the District or any entity controlled by or affiliated with the District) having the power of eminent domain;
- (b) if title to all, or substantially all, of the Leased Property is found to be deficient or nonexistent to the extent that such Leased Property is untenable or the efficient utilization of such Leased Property by the District is impaired;
- (c) if all, or substantially all, of the Leased Property is damaged or destroyed by fire or other casualty; or
- (d) if as a result of changes in the Constitution of the State of Missouri or of legislative or administrative action by the State of Missouri or any political subdivision thereof, or by the United States, or by reason of any action instituted in any court, the Indenture or the Lease Agreement shall become void or unenforceable, or impossible of performance without reasonable delay, or in any other way by reason of such change of circumstances, unreasonable burdens or excessive liabilities are imposed on the District.

Mandatory Prepayment.

(1) The Series 2021 Certificates with a stated maturity date of April 1, 2038, will be subject to mandatory prepayment on April 1, 2036, and on each April 1 thereafter through April 1, 2038, at a Prepayment Price equal to 100% of the Principal Component represented by the Series 2021 Certificates being prepaid plus the Interest Component to the Prepayment Date, as follows:

Prepayment Date <u>April 1</u>	Principal <u>Amount</u>
2036	\$125,000
2037	130,000
2038	135,000*

* Final maturity.

(2) The Series 2021 Certificates with a stated maturity date of April 1, 2041, will be subject to mandatory prepayment on April 1, 2039 and on each April 1 thereafter through April 1, 2041, at a Prepayment Price equal to 100% of the Principal Component represented by the Series 2021 Certificates being prepaid plus the Interest Component accrued to the Prepayment Date, as follows:

Prepayment Date <u>April 1</u>	Principal <u>Amount</u>
2039	\$140,000
2040	140,000
2041	145,000*

* Final maturity.

Selection of Series 2021 Certificates to be Prepaid

Series 2021 Certificates shall be prepaid only in the principal amount of \$5,000 or any integral multiple thereof. When less than all of the Outstanding Series 2021 Certificates are to be paid prior to maturity, such Series 2021 Certificates shall be prepaid from such maturities selected by the District, with Series 2021 Certificates of less than a full maturity to be selected by the Trustee in \$5,000 units of face value by lot or in such other equitable manner as the Trustee may determine.

Notice of Prepayment

Notice of the prepayment identifying the Series 2021 Certificates or portions thereof to be prepaid shall be given by the Trustee to the Owners of Series 2021 Certificates by mailing a copy of the notice by first-class mail, postage pre-paid, at least 20 days prior to the date of prepayment to the Owner of each Certificate to be prepaid at the address shown on the registration books maintained by the Trustee or at such other address as is furnished in writing by such Owner to the Trustee; provided, however, that any defect in giving such notice by mailing as aforesaid shall not affect the validity of any proceedings for the prepayment of Series 2021 Certificates. Any notice of prepayment shall state the date and place of prepayment, the maturities and the CUSIP numbers of the Series 2021 Certificates or portions of Certificates to be prepaid (and in the case of the prepayment of a portion of any Series 2021 Certificates, the amount of Principal Component being paid), the prepayment price and that interest will cease to accrue from and after the prepayment date.

Prepayments

Prior to the date fixed for prepayment, funds shall be deposited with the Trustee to pay, and the Trustee is authorized and directed to apply such funds to the prepayment of, the Series 2021 Certificates, together with the Interest Component accrued thereon to the prepayment date, and any required premium. Upon the giving of notice and the deposit of such funds or government securities as may be available for prepayment pursuant to the Indenture, the Interest Components of Rental Payments represented by the Series 2021 Certificates or portions thereof thus called shall no longer accrue after the date fixed for prepayment.

Registration, Transfer and Exchange of Series 2021 Certificates

Any Series 2021 Certificate may be transferred or exchanged only upon the Register upon surrender thereof at the payment office of the Trustee duly endorsed for transfer or accompanied by an assignment or authorization for exchange duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee. Upon any such transfer or exchange, the Trustee shall execute and deliver in exchange for such Series 2021 Certificate a new fully registered Series 2021 Certificate or Certificates, registered in the name of the transferee, of the same series and maturity, of any denomination or denominations authorized by the Indenture, and bearing interest at the same rate.

In all cases in which Series 2021 Certificates shall be exchanged or transferred, the Trustee shall execute and deliver Series 2021 Certificates in accordance with the Indenture. All Series 2021 Certificates surrendered in any such exchange or transfer shall forthwith be cancelled by the Trustee. The Trustee may make a charge to the Registered Owner requesting the same for every such exchange or transfer of Series 2021 Certificates sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer, and such charge shall be paid before any such new Certificate shall be delivered. The fees and charges of the Trustee for making any transfer or exchange hereunder and the expense of any certificate printing necessary to effect such transfer or exchange shall be paid by the District.

THE BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2021 Certificates. The Series 2021 Certificates will be delivered 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 Certificate will be issued for each maturity of the Series 2021 Certificates.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal

debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2021 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Certificates 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 2021 Certificates, except in the event that use of the book-entry system for the Series 2021 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2021 Certificates 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 2021 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2021 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021 Certificates, such as prepayments, defaults, and proposed amendments to the related documents. For example, Beneficial Owners of Series 2021 Certificates may wish to ascertain that the nominee holding the Series 2021 Certificates 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.

Prepayment notices shall be sent to DTC. If less than all of the Series 2021 Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2021 Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 2021 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal Components and Interest Components on the Certificates 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 District or the Trustee, on each 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 District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District 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 2021 Certificates at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2021 Certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2021 Certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes 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.

Transfer Outside Book-Entry Only System

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

SECURITY FOR THE SERIES 2021 CERTIFICATES

Nature of Series 2021 Certificates; Limited Obligations

Each Series 2021 Certificate evidences the undivided interest of the Owner thereof in the right to receive Rental Payments from the District under the Lease Agreement, and other payments, revenues and receipts derived under the Lease Agreement (including, in certain circumstances, Certificate proceeds and income from the temporary investment thereof and proceeds from insurance and condemnation awards), and are secured by a pledge and assignment of the Trust Estate granted by the Trustee in favor of the Owners of the Series 2021 Certificates, as provided in the Indenture. Neither the Lease Agreement nor the Series 2021 Certificates shall constitute a liability or obligation of the District beyond the Lease Term in effect at any time. The Series 2021 Certificates shall not constitute a general obligation or indebtedness of the District within the meaning of any constitutional or statutory debt limitation or restriction. The Lease Agreement is subject to termination on an annual basis at the option of the District.

The Original Term of the Lease Agreement shall commence on the date of its delivery (the "Commencement Date"), and subject to earlier termination pursuant to the provisions thereof, shall terminate on the last day of District's current fiscal year (*i.e.*, December 31, 2021). The Lease Term may be extended, solely at the option of the District, at the end of the Original Term or any Renewal Term for an additional one-year Renewal Term for up to the final Renewal Term to expire not later than December 31, 2041. Under the terms of the Lease Agreement, if the District elects to renew the Lease Agreement at the end of the Original Term or any Renewal Term, it is obligated to budget, appropriate and set aside a portion of its revenues derived from revenues from the operation of its System and other sources, which appropriation shall be sufficient to make the Rental Payments coming due during the ensuing fiscal year.

The District is obligated to make two annual Rental Payments to the Trustee on or prior to each Certificate Payment Date during each fiscal year in which the Lease Agreement is in effect, which payments represent the Principal Components, redemption premium, if any, and Interest Components of Rental Payments represented by the Series 2021 Certificates becoming due during such fiscal year (but only if the District elects to renew the Lease Agreement for each Renewal Term). THERE CAN BE NO ASSURANCE THAT THE DISTRICT WILL APPROPRIATE FUNDS FOR RENTAL PAYMENTS OR RENEW THE LEASE AGREEMENT AFTER THE ORIGINAL TERM OR ANY RENEWAL TERM. NEITHER THE SERIES 2021 CERTIFICATES NOR THE LEASE AGREEMENT CONSTITUTE A GENERAL OBLIGATION OR OTHER INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF ANY DEBT LIMITATION OR RESTRICTION, NOR A MANDATORY PAYMENT OBLIGATION IN ANY FISCAL YEAR SUBSEQUENT TO A FISCAL YEAR IN WHICH THE LEASE AGREEMENT IS IN EFFECT. THE DISTRICT IS NOT LEGALLY REQUIRED TO BUDGET OR APPROPRIATE MONEYS FOR ANY SUBSEQUENT FISCAL YEAR BEYOND THE CURRENT FISCAL YEAR.

The District will have the option to purchase the Trustee's interest in the Leased Property as provided in the Indenture and the Lease Agreement. See "DEFINITIONS OF TERMS AND SUMMARIES OF CERTAIN DOCUMENTS – SUMMARY OF THE LEASE AGREEMENT - Option to Purchase the Leased Property," and "SUMMARY OF THE INDENTURE - Satisfaction and Discharge of the Indenture" in *Appendix C* hereto.

Property Subject to the Lease Agreement

Pursuant to the provisions of the Lease Agreement and the Indenture between the Trustee and the District, (a) the Trustee will pay, from proceeds of the sale of the Series 2021 Certificates, the costs of the Project and will prepay the Prior Lease, and pay costs related to the delivery of the Series 2021 Certificates as described in this Official Statement, and (b) the Trustee will lease the Leased Property (the Series 2021 Certificates are not secured by any interest in real property) to the District for an initial term ending December 31, 2021 (the "Original Term"), with successive one-year renewal options, provided that the final renewal term does not extend beyond December 31, 2041 (the "Renewal Terms"), which Renewal Terms are subject to annual budget appropriations. The Leased Property will include the District's interest in the following personal property and equipment: two large filters rated at 240 gallons per minute, increased capacity transfer pumps, chemical feed equipment, existing raw water line that

is being improved, new raw water pumps and controls, a new distribution line leaving the plant and connecting to the existing main line, as well as the water meter reading equipment financed with the Prior Lease.

Parity Obligations

Additional Certificates may be delivered without the consent of the Owners of the Certificates (a) to refund the Certificates of any series in a manner which provides present value debt service savings to the District or (b) to make additional improvements as the District may deem necessary, so long as the total principal amount of all Certificates then Outstanding under the Indenture does not exceed \$2,750,000.

All Additional Certificates will be secured by the lien of the Indenture and the Lease Agreement and will rank on parity with the Series 2021 Certificates and any Additional Certificates. Unless provided otherwise in a supplement to the Indenture, any Additional Certificates will be in substantially the same form as the Series 2021 Certificates, but will bear such date or dates, bear such interest rate or rates, have such payment date or dates, prepayment dates and prepayment premiums, and be issued at such prices as are approved in writing by the District, subject to the requirements of the Indenture.

THE TRUSTEE

Security Bank of Kansas City, Kansas City, Kansas, a Kansas state banking corporation authorized to transact business in the State of Missouri, will be the Trustee under the Indenture and a party to the Lease Agreement. The Trustee may consult with counsel, and the opinion of such counsel will be full and complete authorization and protection with respect to any action taken or suffered by the Trustee in good faith in accordance with such opinion. The Trustee may execute any trusts or powers or perform the duties required by the Indenture or the Lease Agreement by or through attorneys, agents or receivers and will not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it in good faith.

The Series 2021 Certificates are executed by the Trustee, not individually or personally but solely as Trustee under the Indenture, in the exercise of the power and authority conferred upon and invested in it as such Trustee. Except for its negligence or willful misconduct, nothing contained in the Indenture or the Lease Agreement is to be construed as creating any liability on the Trustee, individually or personally, to perform any covenant either expressed or implied in the Certificates, the Indenture or the Lease Agreement, all such liability, if any, being expressly waived by the Owners of the Certificates by the acceptance thereof and by each and every person now or hereafter claiming by, through or under the Trustee or the Owners of the Certificates. Insofar as the District is concerned, the Trustee and the Owner of any Certificate and any person claiming by, through or under the Trustee or the Owner of any Certificate may look solely to the Trust Estate described in the Indenture for payment of the interests evidenced by the Certificates.

As security for the compensation, expenses, disbursements and indemnification to which it is entitled upon the occurrence of an Event of Default under the Indenture or an Event of Nonappropriation under the Lease Agreement, the Trustee will have a first lien with right of payment prior to payment on account of any Principal Components or Interest Components with respect to the Certificates for such compensation, expenses, disbursements and indemnification.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

The purchase of the Series 2021 Certificates involves certain investment risks that are discussed throughout this Official Statement. Each prospective purchaser of the Series 2021 Certificates should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. Certain risk factors relating to the Series 2021 Certificates are described below.

General

The following is a discussion of certain risks that could affect the Rental Payments and other payments to be made by the District with respect to the Lease Agreement and the Series 2021 Certificates. In order to

identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto) in order to make a judgment as to whether the Series 2021 Certificates are an appropriate investment. Prospective purchasers of the Series 2021 Certificates should consider carefully all possible factors that may result in a default in the payment of the Principal Component or Interest Component of Rental Payments represented by the Series 2021 Certificates, by the District under the Lease Agreement, the prepayment of the Series 2021 Certificates prior to maturity or the determination that the Interest Component of the Rental Payments represented by the Series 2021 Certificates might be includible in gross income for purposes of federal and Missouri income taxation. The following list of possible factors, while not setting forth all the factors that must be considered, contains some of the factors that should be considered prior to purchasing the Series 2021 Certificates. **This discussion of risk factors is not, and is not intended to be, comprehensive or exhaustive.**

Right of the District to Terminate the Lease Agreement Annually by Declining to Appropriate Funds

The District's obligations under the Lease Agreement may be terminated on an annual basis by the District without any penalty and there is no assurance that the District will renew the Lease Agreement. The likelihood that the District will renew the Lease Agreement throughout the Lease Term is dependent upon certain factors which are beyond the control of the owners of the Series 2021 Certificates, including (a) the continuing need of the District for the Leased Property, (b) the demographic conditions within the District, and (c) the ability of the District to generate sufficient funds from water revenues and other sources to pay its obligations under the Lease Agreement and the other obligations of the District.

The Board of Directors has declared its current intention and expectation that the Lease Agreement will be renewed annually until the Trustee's leasehold interest in the Leased Property is acquired by the District. Such a declaration cannot be construed as contractually obligating or otherwise binding the District. Neither the payment of the Rental Payments by the District under the Lease Agreement nor any payments under the Series 2021 Certificates constitutes a general obligation or other indebtedness of the District or a mandatory payment obligation of the District in any fiscal year subsequent to a fiscal year in which the Lease Agreement is in effect.

The obligation of the District to pay Rental Payments and Additional Payments is limited to those District funds which are specifically budgeted and appropriated annually by the Board of Directors for such purpose.

Upon the occurrence of an Event of Default or an Event of Nonappropriation, the Trustee would exercise its available remedies under the Lease Agreement and the Indenture against the District including the sale or lease of its interest in the Leased Property on behalf of the owners of the Series 2021 Certificates. The moneys derived from any sale or lease of its interest in the Leased Property, along with other moneys then held by the Trustee under the provisions of the Indenture (with certain exceptions as provided in the Lease Agreement and the Indenture), are required to be used to pay the Rental Payments to the extent moneys are available.

The Leased Property will consist of the following personal property and equipment: two large filters rated at 240 gallons per minute, increased capacity transfer pumps, chemical feed equipment, existing raw water line being improved, new raw water pumps and controls, a new distribution line leaving the plant and connecting to the existing main line, and the water meter reading equipment financed with the Prior Lease. No real property, easements or rights-of-way are included in the Leased Property subject to the Lease Agreement. The Series 2021 Certificates are not secured by any interest in real property.

Due to the nature of the Leased Property, no assurance can be given that the Trustee could sell, relet or assign its interest in the Leased Property for the amount necessary (after taking into account money legally available from other sources) to pay in full the Principal Components and Interest Components of Rental Payments then due with respect to the Series 2021 Certificates. The number of potential purchasers or lessees of the Leased Property will be limited. Furthermore, no assurance can be given that the amount, if any, realized upon any sale, reletting or assignment of the Trustee's interest in the Leased Property will be available and sufficient to provide for the payment of the Series 2021 Certificates on a timely basis. The Leased Property, being leased by the District, is held as security for payment of the Series 2021 Certificates, cost or is expected to cost approximately \$2,331,040 to be acquired

or installed by the District, but there is no assurance that a forced or distressed sale of any of those assets would result in sufficient funds to pay the Principal components and Interest Components of Rental Payments.

Delays in Exercising Remedies

A termination of the District's right of possession of the Leased Property under the Lease Agreement as a result of an Event of Default or an Event of Nonappropriation or expiration of the term of the Lease Agreement at the end of the Original Term or any Renewal Term without an extension for the next succeeding Renewal Term will give the Trustee the right to possession of, and the right to sell, relet or assign its interest in the Leased Property in accordance with the provisions of the Lease Agreement and the Indenture. However, the enforceability of the Lease Agreement and the Indenture is subject to applicable bankruptcy laws and trust instruction procedures available under the laws of certain states, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the exercise of judicial authority by State of Missouri, jurisdictions other than the State of Missouri potentially having jurisdiction under trust instruction procedure laws, or federal courts and the exercise by the United States of America of the powers delegated to it by the U.S. Constitution.

Further, the Leased Property is used by the District for the performance of its governmental functions. Due to the governmental use of the Leased Property and the delays inherent in obtaining possession of the Leased Property and other judicial remedies, no assurance can be given that (1) a court, in the exercise of judicial discretion, would enforce these remedies in a timely manner, or (2) any money realized by the Trustee upon an exercise of any remedies would be sufficient to pay in full the Principal Components and Interest Components of Rental Payments with respect to the Series 2021 Certificates. The legal opinions to be delivered with the delivery of the Series 2021 Certificates will be qualified as they relate to the enforceability of the various legal instruments by reference to the limitations on enforceability of those instruments under (1) applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights, (2) general principles of equity, and (3) the exercise of judicial discretion in appropriate cases. If such money is insufficient to pay all outstanding Series 2021 Certificates in full, the Series 2021 Certificates would be paid in part on a *pro rata* basis. Any delays in the ability of the Trustee to obtain possession of the Leased Property will, of necessity, result in delays in any payment of Principal Components and Interest Components of Rental Payments with respect to the Series 2021 Certificates.

Changes in Economic, Demographic and Market Conditions

Changes in real estate market conditions in the Lake Viking area, as well as changes in general or local demographic or economic conditions, could adversely affect the value of the property located within the District and the level of economic activity in the District and, consequently, the amounts of revenues generated by the District. Such changes could also have an adverse impact on the financial condition of the District and, thus, the District resources available for appropriation for the payment of the Rental Payments with respect to the Series 2021 Certificates.

Destruction of the Leased Property

The Lease Agreement requires certain portions of the Leased Property to be insured as described in "SUMMARY OF THE LEASE AGREEMENT – Insurance" in *Appendix C* hereto. Other portions of the Leased Property are not insurable. If the Leased Property is damaged or destroyed, the District is nevertheless required to continue to make payments under the Lease Agreement, subject to the exercise of its option to extend the term of the Lease Agreement for each next succeeding Renewal Term and to the application of Net Proceeds from insurance, if any, and certain other sources to repair, restore, modify, improve or replace the affected portions of the Leased Property. If the Net Proceeds from insurance and such other sources are sufficient to repair, restore, modify, improve or replace the affected portion of the Leased Property, such proceeds are to be so applied. If the Net Proceeds are insufficient for such purpose, (1) the District is obligated to commence and thereafter complete the work and pay any cost in excess of such net proceeds, but only from Additional Payments appropriated by the District, in order for the affected portion of the Leased Property to be repaired, restored and

replaced, (2) if the failure to repair or restore does not materially detract from the value of the Leased Property, such net proceeds may be deposited into the Certificate Fund, or (3) the District may apply net proceeds to the payment of the Option Purchase Price applicable on the next available Optional Payment Date and, if such net proceeds are insufficient to pay such Option Purchase Price, the District is required under the Lease Agreement to pay such amounts as are necessary to equal the full Option Purchase Price.

There can be no assurance either as to the adequacy of or timely payment under property damage insurance in effect at that time or that the District will elect to extend the term of the Lease Agreement for the next Renewal Term succeeding such damage or destruction. See “SUMMARY OF THE LEASE AGREEMENT — Damage, Destruction and Condemnation” in *Appendix C* hereto.

Construction Risks

Weather, labor disputes, availability of materials and supplies, casualty damages, unanticipated subsoil conditions, unanticipated construction difficulties and other “**force majeure**” occurrences or events or financial failure or failure to perform by a contractor, subcontractor or supplier may affect the timely construction of the Project. No assurance can be given that the acquisition, construction and installation of the Project will be completed on schedule, within budget or without material errors and defects. Any such failure could affect the District’s decision to continue appropriations under the Lease Agreement.

Results of a Termination of the Lease Term

In the event that the Board of Directors does not budget and appropriate, specifically with respect to the Lease Agreement, on or before December 1 of each year, moneys sufficient to pay all Rental Payments and the reasonably estimated Additional Payments coming due for the next Lease Term, an “Event of Nonappropriation” shall be deemed to have occurred.

Special Counsel has rendered no opinion with respect to the applicability or inapplicability of the registration requirements of the Securities Act of 1933, as amended, to any Certificate subsequent to a termination of the Lease Term by reason of an Event of Nonappropriation or an Event of Default. If the Lease Term is terminated by reason of either such event, there is no assurance that the Series 2021 Certificates may be transferred by a holder thereof without compliance with the registration provisions of the Securities Act of 1933, as amended, or the availability of an exemption therefrom.

Special Counsel has rendered no opinion with respect to the income tax consequences applicable to the Interest Component of Rental Payments represented by the Series 2021 Certificates subsequent to a termination of the Lease Term by reason of an Event of Nonappropriation or an Event of Default. If the Lease Term is terminated by reason of either such event there is no assurance that the Interest Component of such Rental Payments will remain excludable from gross income for federal or Missouri income tax purposes.

See “DEFINITIONS OF TERMS AND SUMMARIES OF CERTAIN DOCUMENTS – SUMMARY OF THE LEASE AGREEMENT” in *Appendix C* hereto for a discussion of the results of an Event of Nonappropriation, and the ability of the Trustee to waive, under certain circumstances, the effects of the occurrence of an Event of Nonappropriation without notice to or the consent of the registered owners of the Series 2021 Certificates.

Cybersecurity Risks

The District relies on its information systems to provide security for processing, transmission and storage of confidential and other credit information. It is possible that the District’s security measures will not prevent improper or unauthorized access or disclosure of personally identifiable information resulting from cyber-attacks. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create disruptions or shutdowns of the District and the services it provides, including services provided by the District’s waterworks system, or the unauthorized disclosure of confidential and other credit information. If personal or otherwise protected information is improperly accessed, tampered with or distributed, the District may incur significant costs to remediate possible injury to the affected persons, and the District may

be subject to sanctions and civil penalties if it is found to be in violation of federal or state laws or regulations. Any failure to maintain proper functionality and security of information systems could interrupt the District's operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

Potential Risks Relating to COVID-19

In December 2019, a novel strain of coronavirus (which leads to the disease known as “**COVID-19**”), was discovered in Wuhan, China. Since that date, the virus has spread throughout the world and has been characterized by the World Health Organization as a pandemic. The impact of the COVID-19 pandemic on the U.S. economy is expected to be broad based and to negatively impact national, state and local economies.

In response to such expectations, the President of the United States on March 13, 2020, declared a “national emergency,” which, among other effects, allows the executive branch to disburse disaster relief funds to address the COVID-19 pandemic and related economic dislocation. On March 13, 2020, the Governor of the State of Missouri (the “**Governor**”) signed an Executive Order declaring a state of emergency in the State of Missouri (the “**State**”) in response to COVID-19, which has been extended through August 31, 2021. The stated purpose of the Executive Orders is to allow more flexibility in utilizing resources and deploying them around the State where they are most appropriate, including allowing the Governor to waive certain State laws and regulations where necessary. The State remains under a “State of Emergency” through August 31, 2021 per Executive Order 21-07; however, the State is not currently under a statewide public health order. Despite the expiration of statewide orders, cities and counties have the ability, and continue, to impose local public health orders restricting economic activities within the State. Currently, no local health authority has imposed additional public health orders that would close or restrict business operations within the District.

The District has not incurred additional expenditures as a result of the COVID-19 pandemic. Additionally, the District has not experienced significant declines in revenue. However, any State or local measures implemented in the future which restrict economic and social activity within the District may have an adverse effect on District operations and may also negatively impact the District's ability to pay the Certificates.

The extent to which COVID-19 will impact the general operations of the District and its ability to pay the Certificates is highly uncertain and cannot be predicted.

Parity Obligations

The Indenture provides for the future delivery of Additional Certificates that, if delivered, would rank on a parity with the Series 2021 Certificates and any other Additional Certificates then Outstanding under the Indenture. Additional Certificates may be delivered for any purpose without the consent of or notice to the Registered Owners of the Series 2021 Certificates (i) if the Additional Certificates are being issued to refund Certificates to provide present value debt service savings for the District, or (ii) if Additional Certificates to be issued are in an amount, together with all other Certificates then Outstanding, not to exceed \$2,750,000. There is no requirement to provide additional property in connection with the delivery of Additional Certificates that would be subject to the terms of the Lease Agreement. The delivery of Additional Certificates without a corresponding addition to the Leased Property could reduce the likelihood that, in the Event of Default or Event of Nonappropriation by the District, the Trustee would be able to relet or assign its interest in the Leased Property for the amount necessary (after taking into account money legally available from other sources) to pay in full the Principal Components and Interest Components of Rental Payments then due with respect to the Certificates.

Bankruptcy

In addition to the limitations on remedies contained in the Indenture and the Lease Agreement, the rights and remedies provided in the Indenture and the Lease Agreement may be limited by and are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies.

Amendment of the Indenture and the Lease Agreement

Certain amendments to the Indenture and the Lease Agreement may be made without notice to or the consent of the owners of the Certificates (including amendments relating to the delivery of Additional Certificates). Certain other amendments to the Indenture and the Lease Agreement may be made with the consent of the owners of not less than a majority in principal amount of the Certificates (including any Additional Certificates which may be hereafter issued) then outstanding affected by such supplemental indentures or supplemental leases. Such amendments may adversely affect the security of the owners of the Certificates. In addition to the foregoing, in some jurisdictions outside the State of Missouri, there are a variety of trust instruction procedure (“TIP”) statutes, which generally allow judicially supervised remedies for trust estates of trustees that have a nexus, such as the Trustee’s office, with such jurisdiction. Under such TIP statutes, such jurisdictions may allow or order the Trustee to amend the documents relating to the Certificates, including the Lease Agreement and the Indenture, in contravention of the manner provided for in these documents, including without limitation allowing the Trustee to disregard provisions requiring the consent of the holders of the Certificates prior to certain amendments of these documents.

The Hancock Amendment

An amendment to the Missouri Constitution limiting taxation and government spending was approved by Missouri voters on November 4, 1980. The amendment (commonly known as the Hancock Amendment) limits the rate of increase and the total amount of taxes, licenses and fees which may be imposed in any Fiscal Year, and the limit may not be exceeded without voter approval. The precise meaning and application of the phrase “*tax, license or fee*” is unclear, but decisions of the Missouri Supreme Court have indicated that it does not apply to traditionally set user fees, but user fees set in an amount without regard to the amount of water services received could be considered a tax, license or fee subject to the voter approval requirement. Voter approved revenue bonds are considered the requisite voter approval of any rates necessary to pay the costs of operation of the System including any related debt service.

Other Factors

One or more of the following factors or events could adversely affect the District’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 the management of the District.
2. *Future Economic Conditions.* Adverse economic conditions or changes in demographics in the District, increased unemployment and inability to control expenses in periods of inflation, could adversely impact the District’s financial condition.
3. *Insurance Claims.* Increases in the cost of general liability insurance coverage and the amounts paid in settlement of liability claims not covered by insurance could adversely impact the District’s financial performance.
4. *Environmental Hazards.* The District has covenanted in the Lease Agreement to comply with all applicable environmental laws. No environmental studies have been performed with respect to the Leased Property. The District is not aware of any environmental condition at the Leased Property or any of the District’s other property that requires any present remedial action. The discovery of such a condition with respect to the Leased Property may adversely affect the District’s willingness to renew the Lease Agreement after the expiration of any Renewal Term and the discovery of such a condition with respect to any of the other property of the District could adversely impact the District’s financial performance.

5. *Organized Labor Efforts.* Efforts to organize employees of the District into collective bargaining units could result in adverse labor actions or increased labor costs.
6. *Natural Disasters.* The occurrence of natural disasters, such as tornadoes, earthquakes, floods, pandemic or droughts, could damage the Leased Property of the District, interrupt services or otherwise impair operations and the ability of the District to produce revenues.

Power of Eminent Domain

Public water supply districts are granted under the laws of the State of Missouri the power to condemn property for any purpose for which such districts are authorized to acquire property. There is no assurance that if the District were to condemn the Trustee's interest under the Lease Agreement that the condemnation award would be sufficient to pay the outstanding Principal Components and Interest Components with respect to the Series 2021 Certificates. The District has agreed in the Lease Agreement that, in the event that the whole or any part of the Leased Property is taken by eminent domain proceedings, the interest of the Trustee will be recognized. The District and the Trustee have reached an agreement on the terms of the acquisition of the Leased Property at the District's option, and to the use of the Leased Property. The District has agreed that any acquisition of the Leased Property or rights to their use by the District (whether pursuant to the exercise of eminent domain powers or otherwise) shall be pursuant to and in accordance with the Lease Agreement, including payment of Rental Payments and the applicable purchase price (as defined and set forth in the Indenture). If the District allows the Lease Agreement to expire without exercising its option to purchase, whether by failure to exercise its option to extend the Lease Agreement for a Renewal Term, failure to exercise its option to purchase at the conclusion of the Lease Term or failure to cure an Event of Default (as such terms are defined in the Lease Agreement), the District's failure to exercise the option to purchase shall constitute an irrevocable determination by the District that the Leased Property is not required by it for any public purpose for the remaining term of the Lease Agreement. The enforceability of the foregoing agreements of the District has not been the subject of judicial interpretation.

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 Component or Interest Component due with respect to the Series 2021 Certificates. Accordingly, any potential purchaser of the Series 2021 Certificates should consider the financial ability of the District to pay Rental Payments under the Lease Agreement.

Taxability

The Series 2021 Certificates are not subject to prepayment nor is the interest rate subject to adjustment in the event of a determination by the Internal Revenue Service or a court of competent jurisdiction that the Interest Component paid or to be paid on any Series 2021 Certificate is or was includible in the gross income of the Owners of the Series 2021 Certificates for federal income tax purposes. **It may be that Owners of the Series 2021 Certificates would continue to hold their certificates, receiving Principal Components and Interest Components as and when due, but would be required to include such payments of Interest Component in gross income for federal income tax purposes. Special Counsel expresses no opinion as to the federal tax exemption of Interest Component on the Series 2021 Certificates in the event of payment thereof (a) if the District fails to budget and appropriate sufficient moneys to pay the Rental Payments under the Lease Agreement or (b) the Lease Agreement terminates for any reason.**

Risk of Audit

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine the legitimacy of the tax status of such obligations. No assurance can be given that the Internal Revenue Service will not commence an audit of the Series 2021 Certificates. Owners of the Series 2021 Certificates are advised that, if an audit of the Series 2021 Certificates were commenced, in accordance with its current published procedures, the Internal Revenue Service is likely to treat the District as the taxpayer, and the Owners of the Series 2021 Certificates may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Series 2021 Certificates during the pendency of the audit, regardless of the ultimate outcome of the audit.

Loss of Premium from Prepayment

Any person who purchases a Series 2021 Certificate at a price in excess of its principal amount or who holds such Certificate trading at a price in excess of par should consider the fact that the Series 2021 Certificates are subject to prepayment prior to maturity at the prepayment prices described herein in the event such Series 2021 Certificates are prepaid prior to maturity. See the section herein captioned “THE SERIES 2021 CERTIFICATES – Prepayment Provisions.”

Secondary Market

The Underwriter will not be obligated to repurchase any of the Series 2021 Certificates, and no representation is made concerning the existence of any secondary market for the Series 2021 Certificates. No assurance is given that any secondary market will develop following the completion of the offering of the Series 2021 Certificates and no assurance is given that the initial offering price for the Series 2021 Certificates will continue for any period of time.

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 its Leased Property subject to the municipal securities. From time to time the secondary market trading in selected issues of municipal securities will fluctuate as a result of the financial condition or market position of the underwriter, prevailing market conditions, or a material adverse change in the operations of the District, whether or not the subject securities are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices. 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 Certificates are deemed paid as provided in the Indenture (See “SUMMARY OF THE INDENTURE – Satisfaction and Discharge of the Indenture” and “– Certificates Deemed to be Paid” in *Appendix C* hereto), the Indenture will be released and terminated and the Leased Property encumbered by the Lease Agreement as security for the Certificates will be released. Any Certificate shall be deemed to be paid when (a) payment of the Principal Component of Rental Payments evidenced by such Certificate and premium, if any, thereon and the Interest Component of Rental Payments payable with respect thereto, 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 thereof, 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 insure the availability of sufficient moneys to make such payment. Defeasance Obligations include, in addition to cash and obligations pre-refunded with cash, bonds, notes, certificates of indebtedness, treasury bills and other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America. Historically, such United States obligations have been rated in the highest rating category by the rating agencies. There is no legal requirement in the Indenture or the Lease Agreement that Defeasance Obligations consisting of such United

States obligations be or remain rated in the highest rating category by any rating agency. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and that could include the rating of Certificates defeased with Defeasance Obligations to the extent the Defeasance Obligations have a change or downgrade in rating.

PLAN OF FINANCE

Sources and Uses of Funds

In connection with the sale and delivery of the Series 2021 Certificates, it is contemplated that funds will be obtained and applied as follows:

<i>Sources of Funds</i>	
Principal Amount of Series 2021 Certificates	\$2,350,000.00
Net Original Issue Premium	
Total Sources	\$
<i>Uses of Funds</i>	
Project Costs	\$
Prepay the Prior Lease	
Costs of Delivery including Underwriter's Discount	
Total Uses	\$

The Leased Property and the Project

The District intends to use the current financing for costs to construct a new water treatment plant which will provide two larger filters rated at 240 gallons per minute (existing filters are rated at 100 gallons per minute), increased capacity transfer pumps, chemical feed rooms and equipment, and updated technology. The equipment will be located in a new all metal building to be constructed measuring 60 feet by 80 feet. The new building will also provide space for district offices, laboratory and meeting space. The financing is also expected to fund the modification of the existing raw water line, add new raw water pumps and controls which feed the plant, and add a new distribution line leaving the plant connecting to the existing main line. These updates will allow the District to modify the disinfection process from free chlorine to chloramines that will reduce disinfection by-products.

The District also intends to prepay the Prior Lease.

The Leased Property consists of the District's interest in the following personal property and equipment included as part of the project: two large filters rated at 240 gallons per minute, increased capacity transfer pumps, chemical feed equipment, existing raw water line that is being improved, new raw water pumps and controls, a new distribution line leaving the plant and connecting to the existing main line, and meter reading equipment. The Lease Property does not include any interest in real property or improvements to real property of the District (including the new metal building being constructed). Proceeds of the Series 2021 Certificates in the amount of \$_____ will be used to acquire and install these portions of the Project.

LITIGATION

There is no action, suit, proceeding or litigation pending against the District, or to the knowledge of the District or of its officials threatened, which in any way questions or affects the validity of the Lease Agreement, the Indenture, the Series 2021 Certificates or any proceedings or transactions relating to their authorization, sale or delivery, or which would affect the validity of the agreements related to the construction, operation or management of the Project.

From time to time, claims and litigation against the District arises in the ordinary course of business. The District, after consultation with counsel, does not believe that the outcome of these matters will have a material impact on the financial condition of the District, and the District does not believe that such exposure would materially affect the District's ability to meet its obligations to pay the Series 2021 Certificates.

TAX MATTERS

The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Series 2021 Certificates. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2021 Certificates 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 2021 Certificates in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2021 Certificates.

Opinion of Special Counsel

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

Federal and Missouri Tax Exemption. The Interest Component of the Rental Payments paid by the District under the Lease Agreement and distributed to the owners of the Series 2021 Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and Missouri income tax purposes.

Alternative Minimum Tax. The Interest Component is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The Series 2021 Certificates are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Special Counsel's opinions are provided as of the date of the original delivery of the Series 2021 Certificates, subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the delivery of the Series 2021 Certificates in order that the Interest Component be, or continue to be, excludable from gross income for federal and Missouri income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of the Interest Component in gross income for federal and State of Missouri income tax purposes retroactive to the date of delivery of the Series 2021 Certificates. Special Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2021 Certificates but has reviewed the discussion under the section herein captioned "TAX MATTERS."

Other Tax Consequences

[Original Issue Discount. For federal income tax purposes, original issue discount ("OID") is the excess of the stated redemption price at maturity of a Series 2021 Certificate over its issue price. The issue price of a Series 2021 Certificate is the first price at which a substantial amount of the Series 2021 Certificates 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 obligations accrues on a compound basis. The amount of OID that accrues to an owner of a Series 2021 Certificate during any accrual period generally equals (1) the issue price of that Series 2021 Certificate, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2021 Certificate (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 Component payable on that Series 2021 Certificate during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that Series 2021 Certificate. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.]

[Original Issue Premium. If a Series 2021 Certificate is issued at a price that exceeds the stated redemption price at maturity of the Series 2021 Certificate, the excess of the purchase price over the stated redemption price at maturity constitutes "premium" on that Series 2021 Certificate. Under Section 171 of the Code, the purchaser of that Series 2021 Certificate must amortize the premium over the term of the Series 2021 Certificate using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series 2021 Certificate and the amount of tax-exempt Interest Component received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2021 Certificate 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 premium.]

Sale, Exchange or Retirement of Series 2021 Certificates. Upon the sale, exchange or retirement (including redemption) of a Series 2021 Certificate, an owner of the Series 2021 Certificate generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2021 Certificate (other than in respect of accrued and unpaid Interest Component) and such owner's adjusted tax basis in the Series 2021 Certificate. To the extent a Series 2021 Certificate is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2021 Certificate 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 Component, Interest Component and prepayment premium paid on the Series 2021 Certificates, and to the proceeds paid on the sale of the Series 2021 Certificates, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

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

UNDERWRITING

D.A. Davidson & Co. (the “Underwriter”) has agreed to purchase the Series 2021 Certificates at an aggregate purchase price equal to \$_____ (the principal amount of the Series 2021 Certificates plus a net original issue premium of \$_____, less an underwriter’s discount of \$_____), plus accrued interest, if any. The Underwriter is purchasing the Series 2021 Certificates for resale in the normal course of the Underwriter’s business activities. The Underwriter reserves the right to offer any of the Series 2021 Certificates to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter shall determine. The Underwriter reserves the right to join with dealers and other purchasers in offering the Series 2021 Certificates to the public. The Underwriter may offer and sell Series 2021 Certificates to certain dealers (including dealers depositing Series 2021 Certificates into investment trusts) at prices lower than the public offering prices.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of that information.

NO RATING

The Series 2021 Certificates have not and will not receive a rating.

FINANCIAL STATEMENTS

The District maintains its financial records on the basis of a fiscal year ending December 31. Set forth in *Appendix B* are the audited financial statements of the District for the fiscal year ended December 31, 2019.

LEGAL MATTERS

Certain legal matters incident to the authorization and execution by the District of the Indenture and the Lease Agreement and the delivery and sale of the Series 2021 Certificates and with regard to the tax-exempt status of the Interest Component of Rental Payments to be made on the Series 2021 Certificates are subject to the approving opinion of Gilmore & Bell, P.C., Special Counsel. Special Counsel has participated in the preparation of this Official Statement, but the factual and financial information appearing herein has been supplied or reviewed by certain officials of the District.

CONTINUING DISCLOSURE

The District is executing a Continuing Disclosure Certificate for the benefit of the owners and Beneficial Owners of the Series 2021 Certificates in order to comply with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”). The District is the only “obligated person” with responsibility for continuing disclosure.

Pursuant to the Continuing Disclosure Certificate, the District will, not later than **nine months** after the end of the District’s fiscal year, provide to the Municipal Securities Rulemaking Board (the “MSRB”) the following financial information and operating data (the “Annual Report”):

- (1) The audited financial statements of the District for the prior fiscal year prepared in accordance with accounting principles generally accepted in the United States of America. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report promptly after they become available. The audited financial statements of the District are currently prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. If the District changes the format of its financial statements, (1) notice of

such change shall be given in the same manner as for a Material Event, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(2) Updates as of the end of the fiscal year of the financial information and operating data contained in *Appendix A* of this Official Statement under the following sections:

DEBT STRUCTURE OF THE DISTRICT

Long-Term General Obligation Indebtedness
Long-Term Revenue Obligations of the System
Debt Service Requirements

FINANCIAL INFORMATION CONCERNING THE DISTRICT

Historical Debt Service Coverage
Customer Base

Pursuant to the Continuing Disclosure Certificate, the District also will file notice with the MSRB of the occurrence of any of the following events with respect to the Series 2021 Certificates, no later than 10 business days after the occurrence of such event (“Material Events”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of bondowners;
- (8) optional, contingent or unscheduled bond calls;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds; or
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the District;
- (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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;
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (15) incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Notwithstanding any other provision of the Continuing Disclosure Certificate, the District may amend the Continuing Disclosure Certificate and any provision of the Continuing Disclosure Certificate may be waived, provided Bond Counsel or other counsel experienced in federal securities law matters provides the District with its opinion that the undertaking of the District, 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 Certificate.

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

The District has not previously issued debt subject to continuing disclosure as described above.

Electronic Municipal Market Access System (EMMA)

All Annual Reports and notices of Material Events required to be filed by the District pursuant to the Continuing Disclosure Certificate 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 District or the Series 2021 Certificates is incorporated by reference in this Official Statement.

MISCELLANEOUS

Certification and Other Matters Regarding Official Statement

Information set forth in this Official Statement has been furnished or reviewed by certain officials of the District, certified public accountants, and other sources, as referred to herein, which are believed to be reliable. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or registered owners of any of the Series 2021 Certificates.

References herein to the Indenture and the Lease Agreement and certain other matters are brief discussions of certain provisions thereof. Such discussions do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

The form of this Official Statement and its distribution and use by the Underwriter has been approved by the District. However, neither the District nor any of its officers, directors or employees, in either their official or personal capacities, has made any warranties, representations or guarantees regarding the District's financial condition or its ability to make payments required under the Lease Agreement and the Indenture other than those expressly imposed on the District by the Indenture or the Lease Agreement.

PUBLIC WATER SUPPLY DISTRICT NO. 3 OF DAVIESS COUNTY, MISSOURI

By: _____
President

APPENDIX A

THE DISTRICT

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DESCRIPTION OF THE DISTRICT

Location and Size

The Public Water Supply District No. 3 of Daviess County, Missouri (the “District”) began providing service in 1997 by taking over an existing water system that was owned by the Lake Viking Homeowners Association and encompasses approximately 8.8 square miles located in Daviess County, Missouri. The District primarily services Lake Viking, an unincorporated community and census-designated place. The District office is in Lake Viking, which is approximately 5 miles from Gallatin, the county seat and closest city to the District. The District is located about 70 miles northwest of Kansas City, Missouri. The District currently serves approximately 668 active water customers and approximately 1,200 customers that are not hooked up to water but pay a service availability fee known as a Tap Fee.

Government and Organization

The District is governed by a five-member Board of Directors (the “Board”) which manages the business and affairs of the District. By operation of law, the Board consists of five members who serve staggered terms of three years. The Board elects a president and a vice president from among its members, each of whom serves a term of one year as such officer. The Board holds meetings on the third Tuesday of each month at 4:00 pm at the District office. The current directors and officers are as follows:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>	<u>Years with District</u>
Kyle Parkhurst	President and Director	2023	22
Troy Lesan	Vice President and Director	2024	13
Jeffrey Speaker	Secretary and Director	2022	3
Mark White	Director	2024	1
Harlan Horst	Director	2023	2
Roger Barker	District Superintendent	-	39
Gary King	Water Operator	-	10
Diane Hulett	District Clerk	-	6

Employee Relations

The District employs 3 full-time employees. No employees of the District are represented by a union or other bargaining agent, nor is such representation expected. The District considers its relations with its employees to be excellent.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters. The District manages this risk by carrying commercial insurance for all risks of loss including errors and omissions of \$1,000,000 per occurrence and property and casualty insurance on a total value of \$1,356,250.

DEBT STRUCTURE OF THE DISTRICT

Long-Term General Obligation Indebtedness

Although the District is authorized upon receipt of voter approval to issue general obligation bonds in an amount up to five percent of the value of the taxable tangible property within the District, the District has never issued, and does not currently have plans to issue, general obligation bonds.

Long-Term Revenue Obligations of the System

Revenue Bonds. The District may issue revenue bonds upon approval by at least a simple majority of voters voting on the question. The District currently has no outstanding revenue bonds.

Lease Obligations. The District entered into an equipment lease purchase agreement on July 31, 2018 for the purchase of electronic meter read equipment. The lease bears interest at 3.55% and is paid in annual installments through 2026. This lease will be prepaid with the proceeds of the Series 2021 Certificates.

Debt Service Requirements

The following schedule shows the estimated annual principal and interest requirements for all outstanding lease obligations of the District payable from revenues arising from the operations of the System:

Fiscal Year Ending December 31st	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$15,830	\$3,685	\$19,515
2022	16,392	3,123	19,515
2023	16,974	2,542	19,516
2024	17,576	1,939	19,515
2025-2026	<u>37,046</u>	<u>1,986</u>	<u>39,032</u>
TOTAL	<u>\$103,818</u>	<u>\$13,275</u>	<u>\$117,093</u>

Existing Water System

The System currently consists of approximately 35 miles of transmission main consisting of 8-, 6-, 4-, 3- and 2-inch lines, as well as service lines. No line in the System is less than two inches in diameter. Lake Viking serves as the System's water source. Water storage is provided by a 100,000-gallon standpipe, a 75,000-gallon elevated storage tank, and a 285,000-gallon clear well. Water treatment consists of a mixed media filtration system (anthracite coal and sand), and granular-activated carbon filtration.

Immediate Projects and Future Financings

The District intends to use the current financing for costs to construct a new water treatment plant which will provide two larger filters rated at 240 gallons per minute (existing filters are rated at 100 gallons per minute), increased capacity transfer pumps, chemical feed rooms and equipment, and updated technology. The equipment will be located in a new all metal building to be constructed measuring 60 feet by 80 feet. The new building will also provide space for district offices, laboratory and meeting space. The financing is also expected to fund the modification of the existing raw water line, add new raw water pumps and controls which feed the plant, and add a new distribution line leaving the plant connecting to the existing main line. These updates will allow the District to modify the disinfection process from free chlorine to chloramines that will reduce disinfection by-products.

There are no other financings currently contemplated by the District.

Previous Defaults

The District has never defaulted on the payment of any of the District's obligations payable from the net income and revenues of the System.

FINANCIAL INFORMATION CONCERNING THE DISTRICT

Accounting, Budgeting and Auditing Procedures

The accounting records of the District are maintained on the accrual basis of accounting, which recognizes revenue when it is earned and measurable, and are in conformity with accounting principles generally accepted in the United States of America. Expenses are reported by expense item and, generally, recognized when incurred.

The District's policies require that an annual independent audit be made of the financial statements of the various funds and account groups. The Board selects an independent certified public accountant to perform the audit. The District's accounts are currently audited by Karlin & Long, LLC, Certified Public Accountant of Platte City, Missouri.

Attached hereto as **APPENDIX B** to this Official Statement are the financial statements of the District for the fiscal year ended December 31, 2019.

Historical Debt Service Coverage

The following table shows, for the fiscal years ended December 31, 2017, 2018 and 2019, the revenues available to pay debt service on the District's long-term indebtedness and the extent to which such revenues covered debt service requirements on the indebtedness. This summary should be read in connection with the financial statements of the District included in **APPENDIX B** hereto. Reference is hereby made to such financial statements, including the notes thereto. **There can be no assurance that the System's past performance levels, which resulted in the net revenues available for debt service set forth below, will continue to be attained in the future. The financial performance of the System depends on future events and conditions, the impact of which on the revenues of the System can not be predicted.** See **"BONDOWNERS' RISKS"** herein.

Fiscal Year Ended December 31

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Operating Revenues:			
Water Sales	\$384,323	\$405,182	\$393,631
Interest Income	2,707	3,406	7,128
Rental Income ⁽¹⁾	2,600	2,600	2,600
Other	465	353	94
Total Revenues	\$390,095	\$411,541	\$403,453
Operating Expenses ⁽²⁾ :	<u>\$275,168</u>	<u>\$287,829</u>	<u>\$307,263</u>
Net Revenues Available for Debt Service	\$114,927	\$123,712	\$96,190
Principal & Interest on Long Term Obligations	\$54,483	\$53,935	\$84,634
Coverage	2.11x	2.29x	1.14x

⁽¹⁾ On February 10, 2005, the District entered into a lease agreement with a local internet service provider to lease space on its water tower for an antenna. The District receives annual installments of \$2,600 plus a \$39.95 referral fee for any of its customers that begin using the service,

⁽²⁾ Excludes depreciation and interest expenses and capital expenditures.

Source: District's Audited Financial Statements for fiscal years ended December 31, 2017-2019.

Historical Cash and Investments

The following table shows, for the audited fiscal years ended December 31, 2017 and 2018, and 2019, the balance of unrestricted and restricted cash and investments reported by the District:

<u>Account</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Cash and Cash Equivalents	\$304,649	\$267,508	\$ 288,373
Restricted Cash and Investments	<u>41,440</u>	<u>41,482</u>	<u>32,150</u>
TOTAL	\$346,089	\$308,990	\$ 320,523

Water Usage

The table below summarizes the amounts of water provided and sold by the District during each of the last five years.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Gallons Produced	22,299,120	21,997,740	21,000,720	18,434,810	19,760,030
Gallons Billed	16,199,900	16,816,900	16,664,400	15,631,800	18,102,200
Gallons Lost	2,024,220	2,355,840	2,111,320	693,010	937,830
Loss Percentage*	9.08%	10.71%	10.05%	3.76%	4.75%

* The District installed new Radio Read Meters in September 2018.

All of the District's customer usage is metered, and the District does not provide free water service to any customer. The average monthly customer usage for the fiscal year ended December 31, 2020 breaks down into the following categories:

<u>Average Monthly Usage (in Gallons)</u>	<u>Average Number of Customers</u>	<u>Percentage of Total Customers</u>
0-1,000	335	50.4%
1,001-2,000	105	15.8
2,001-3,000	87	13.1
3,001-4,000	58	8.7
4,001-5,000	32	4.8
Over 5,000	48	7.2

Source: The District.

Water Rates and Billing

The District's current rates are as follows:

Services	Residential	Commercial	Multi-User (Association)
<i>Monthly Rates</i>			
First 1,000 gallons (Minimum Charge)	\$37.00	\$37.00	\$37.00
1,001 – 65,000 gallons	0.75	0.75	0.95
Over 65,000 gallons	0.56	0.56	0.95
	<i>Per 100 gallons</i>	<i>Per 100 gallons</i>	<i>Per 100 gallons</i>
<i>Other Fees</i>			
Installation Fee (New Meter)	\$850.00	\$850.00	\$850.00
Transfer Fee (New Owner)	50.00	50.00	50.00
Reconnection Charge	150.00	150.00	150.00
Late Fee	5.00	5.00	5.00

The District recently increased the monthly minimum charge from \$25.00 to \$37.00. With 668 current active connections, the \$12.00 increase will result in approximately \$96,192 in additional revenue annually.

Water bills are due and payable at 4 p.m. on the twentieth day of the month following the billing period. A five dollar late fee is assessed if payment is received after 4 p.m. on the due date. Failure to pay a delinquent bill by the thirtieth of the month may result in immediate disconnection of service, without notice to the customer.

In addition to the monthly water rates, under the District's Water Users Agreement, each metered lot is assessed a one-time fee of \$500 or \$100 if the lot has a house or is unimproved, respectively. The funds from the water assessment have been used to pay for improvements to the water distribution system. When a house or metered lot is sold the District must refund the water assessment paid. The new owner is then required to pay the assessment.

There are currently about 1,200 accounts that are unmetered. These accounts are charged quarterly tap fees by the District. The District receives approximately \$23,400 per quarter from the unmetered accounts.

See the caption **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - The Bond Resolution – Rate Covenant."**

Customer Base

Currently, there are approximately 668 active water connections. No individual customer uses in excess of 5% of the total water sold by the District. The following table indicates the number of connections for the current year and each of the last five years.

<u>Year</u>	<u>Connections</u>
Current	672
2020	668
2019	662
2018	654
2017	651
2016	637

Source: The District

GENERAL AND ECONOMIC INFORMATION

Economy

Daviess County is located in northern part of the State of Missouri with a population of 8,295 according to the U.S. Census Bureau, 2015-2019 American Community Survey 5-Year Estimates. The City of Gallatin is the county seat and had a population of 1,597 according to the U.S. Census Bureau, 2015-2019 American Community Survey 5-Year Estimates. Residents in and around Gallatin primarily have access to agricultural, education, banking and restaurant related employment with additional access to the Kansas City, Missouri metropolitan area.

Education

The Gallatin R-V School District is comprised of an elementary school, a middle school, and a high school with a 2019-2020 enrollment of 553 students. The school district, which governs the public schools and is a separate governmental body from the District, has been rated “accredited” by the Missouri Department of Education, the State’s highest rating.

Residents of the District have additional access to educational institutions in the Kansas City, Missouri metropolitan area.

Employment

The following table sets forth the average unofficial employment figures for Daviess County and the State of Missouri for the years shown:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Daviess County					
Total Labor Force	4,176	4,080	4,048	4,102	4,191
Unemployed	159	136	122	137	173
Unemployment Rate	3.8%	3.3%	3.0%	3.3%	4.1%
State of Missouri					
Total Labor Force	3,080,850	3,061,441	3,052,386	3,083,245	3,053,613
Unemployed	140,536	115,101	97,578	101,557	182,208
Unemployment Rate	4.6%	3.8%	3.2%	3.3%	6.0%

Source: MERIC (Missouri Economic Research and Information Center).

Major Employers

The major industry in the service area is agriculture, including crops and livestock production. The major employers located in and around the District are listed below:

[Remainder of Page Intentionally Left Blank.]

<u>Employers</u>	<u>Product/Service</u>	<u>Employed</u>
Landmark Custom Metal Fabricators	Manufacturing	200
Gallatin R-V School District	Education	164
Landmark Manufacturing Corporation	Manufacturing	150
Daviess County Nursing and Rehab	Nursing	54
Gold Key Corporation	Computers Wholesale	25
Dungy's Market	Grocery	25
International Academy of Science	Education	24
Compassus	Home Health Services	20
Lake Viking Association	Associations	20

Source: Data Axle Genie.

General Demographic Statistics

Population. Listed below are historical population figures compared to the State of Missouri:

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019</u>
Lake Viking*	-	560	483	434
City of Gallatin	1,864	1,789	1,786	1,597
Daviess County	7,860	7,991	8,429	8,295
State of Missouri	5,117,073	5,595,211	5,988,927	6,104,910

* The U.S. Census Bureau began reporting population estimates for Lake Viking in 2000.

Source: US Census Data; the U.S. Census Bureau, 2015-2019 American Community Survey 5-Year Estimates.

Income. The following table sets forth certain income statistics compared to the State of Missouri:

	<u>2020</u>	<u>2020</u>
	<u>Per Capita Income</u>	<u>Median Household Income</u>
Lake Viking	\$45,004	\$55,208
City of Gallatin	22,029	38,929
Daviess County	24,929	51,679
State of Missouri	31,756	55,461

Source: U.S. Census Bureau, 2015-2019 American Community Survey 5-Year Estimates.

Housing. Set forth below are the 2019 median (owner-occupied) home values:

	<u>Median Home Value</u>
Lake Viking	\$235,400
City of Gallatin	83,300
Daviess County	110,400
State of Missouri	157,200

Source: U.S. Census Bureau, 2015-2019 American Community Survey 5-Year Estimates.

* * *

APPENDIX B

**AUDITED FINANCIAL STATEMENTS AND AUDIT REPORT OF THE DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2019**

**PUBLIC WATER SUPPLY DISTRICT #3
OF DAVIESS COUNTY, MISSOURI**

**AUDITED FINANCIAL STATEMENTS
AND AUDIT REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

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Karlin & Long, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Public Water Supply District No. 3
of Daviess County, Missouri
Gallatin, Missouri

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Public Water Supply District No. 3 of Daviess County, Missouri as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

10115 Cherry Lane
Lenexa, Kansas 66220
(913) 829-7676

2200 Kentucky Avenue
Platte City, Missouri 64079
(816) 858-3791

901 Kentucky Street, Suite 104
Lawrence, Kansas 66044
(785) 312-9091

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Public Water Supply District No. 3 of Daviess County, Missouri, as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KARLIN & LONG, LLC

Karlin & Long, LLC
Lenexa, KS
February 3, 2020

Public Water Supply District #3 of Daviess County Management's Discussion and Analysis

Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. This portion of the Water District's annual financial report is intended to provide an easily read analysis of the District's financial activities and condition, based on current known facts, for the fiscal year ending on December 31, 2019. This information is presented in conjunction with the audited financial statements that follow.

Organizational and Business

This Water District provides water services. The District is currently serving approximately 658 customers. The water is supplied mainly to residential customers, and only a few business customers. Approximately 1200 customers that are not hooked up to water pay a tap fee.

Overview of the Financial Statements

This annual report consists of the following parts: 1) Management's Discussion and Analysis, 2) Basic Financial Statements, 3) Other Required Supplementary Information in the form of Notes.

Financial Statements

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The District's assets and liabilities are reported on the Statement of Net Assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of the District's operations over the course of the fiscal year and provides information as to how the net assets changed during the year. This statement can be used as an indicator that the District is successfully recovering costs through user fees and other charges.

The Statement of Cash Flows presents changes in cash and cash equivalents resulting from operation, capital, non-capital, and investing and financing activities. From the Statement of Cash Flows, the reader can obtain comparative information on the source and use of cash and the change in the cash and cash equivalents balance for each of the last two fiscal years.

Financial Analysis

Financial Highlights (see table 1)

- The total assets of the District exceed total liabilities by \$658,129.
- The total assets decreased from last year by \$31,758 or 3%.
- Capital assets decreased during the fiscal year by \$58,090 or 7%.

The District's total net assets increased by \$27,926 or 4%.

Table 1
Condensed Statements of Net Assets

	2019	2018	Variance	% Change
Current and Other Assets	\$381,522	\$355,190	\$26,332	7%
Capital Assets, Net	\$757,601	\$815,691	(\$58,090)	(7%)
Total Assets	\$1,139,123	\$1,170,881	(\$31,758)	(3%)
Long-Term Debt	\$103,818	\$128,985	(\$25,167)	(20%)
Other Liabilities	\$377,176	\$411,693	(\$34,517)	(8%)
Total Liabilities	\$480,994	\$540,678	(\$59,684)	(11%)
Net Assets invested in capital assets, net of related debt	\$636,758	\$616,788	\$19,970	3%
Net Assets restricted for debt service	\$0.00	\$10,782	(\$10,782)	(100%)
Unrestricted net assets	\$21,371	\$2,633	\$18,738	712%
Total Net Assets	\$658,129	\$630,203	\$27,926	4%

Results of Operations

Table 2 below shows changes in the District's net assets for the year.

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Assets

	2019	2018	Variance	% Change
Revenues:				
Operating Revenues	\$393,725	\$405,535	(\$11,810)	(3%)
Non Operating Revenues	\$23,744	\$6,006	\$17,738	295%
Total Operating Revenues	\$417,469	\$411,541	\$5,928	1%
Expenses:				
Operating Expenses	\$307,263	\$287,469	\$19,794	7%
Depreciation	\$68,228	\$58,732	\$9,496	16%
Non Operating Expenses	\$14,052	\$4,798	\$9,254	193%
Total Expenses	\$389,543	\$350,999	\$38,544	11%
Increase in Net Assets	\$27,926	\$60,542	(\$32,616)	(54%)
Changes in Net Assets	\$27,926	\$60,542	(\$32,616)	(54%)
Beginning Net Assets	\$630,203	\$569,661	\$60,542	11%
Ending Net Assets	\$658,129	\$630,203	\$27,926	4%

- The District's total operating revenues of \$393,725 for the year decreased by \$11,810 or 3%.
- The total operating expenses increased by \$19,794 or 7%.
- The District's change in net assets increased by \$27,926 for the year.

Capital Assets

The District had \$636,758 in capital assets, (net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction or improvements of those assets).

Long Term Debt

The District has a Long Term Debt of \$103,818 with the last payment due in July 2025.

Additional Financial Information

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Water District Clerk at 116 Waterworks Street, Gallatin, MO 64640.

PUBLIC WATER SUPPLY DISTRICT #3 OF DAVIESS COUNTY, MISSOURI
Statement of Net Position
December 31, 2019

Assets:

Current assets:

Cash and cash equivalents	\$ 288,373
Accounts receivable	51,190
Prepaid expenses	<u>9,809</u>
Total unrestricted current assets	349,372
Restricted cash	<u>32,150</u>
Total current assets	<u>381,522</u>

Depreciable capital assets:

Water distribution system	1,185,087
Equipment	265,326
Vehicles	27,348
Office improvements	18,747
Less accumulated depreciation	<u>(738,907)</u>
Total depreciable capital assets	<u>757,601</u>
Total capital assets	<u>757,601</u>
Total assets	<u>1,139,123</u>

Liabilities:

Current liabilities:

Accounts payable and accrued expenses	40,645
Customer water assessment liability	287,000
Customer deposits	<u>32,150</u>
Total current liabilities	<u>359,795</u>

Liabilities payable from restricted assets:

Interest payable	356
Current portion of long-term debt	<u>17,025</u>
Total payable from restricted assets	<u>17,381</u>

Long-term debt	<u>103,818</u>
Total liabilities	<u>480,994</u>

Net Position:

Invested in capital assets, net of related debt	636,758
Restricted for debt service	-
Unrestricted	<u>21,371</u>
Total Net Position	<u>\$ 658,129</u>

See accompanying notes to financial statements

PUBLIC WATER SUPPLY DISTRICT #3 OF DAVIESS COUNTY, MISSOURI
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2019

Operating revenues:	
Water sales	\$ 393,631
Miscellaneous income	<u>94</u>
Total operating revenues	<u>393,725</u>
Operating expenses:	
Water production costs	20,986
Payroll and payroll taxes	178,841
Maintenance expense	2,652
Utilities and telephone	12,520
Office supplies	10,650
Insurance	11,097
Professional fees	20,660
Depreciation and amortization	68,228
Bad debt expense	37,025
Vehicle expense	1,232
Other operating expenses	<u>11,600</u>
Total operating expenses	<u>375,491</u>
Operating income	<u>18,234</u>
Nonoperating revenues (expenses):	
Rental income	2,600
Grant income	14,016
Interest income	7,128
Gain/Loss on sale of asset	(8,076)
Interest expense	<u>(5,976)</u>
Nonoperating revenues (expenses)	<u>9,692</u>
Increase (decrease) in Net Position	27,926
Net Position:	
Beginning of year	<u>630,203</u>
End of year	<u>\$ 658,129</u>

See accompanying notes to financial statements

PUBLIC WATER SUPPLY DISTRICT #3 OF DAVIESS COUNTY, MISSOURI
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash flows from operating activities:	
Cash receipts from customers	\$ 396,239
Cash payments to suppliers for goods and services	(108,902)
Cash payments to employees for services	<u>(178,841)</u>
Net cash provided by operating activities	<u>108,496</u>
Cash flows from capital and related financing activities:	
Principal paid on long term debt	(76,357)
Interest paid on debt	<u>(8,277)</u>
Net cash used in capital and related financing activities	<u>(84,634)</u>
Cash flows from investing activities:	
Payments for property & equipment	(47,025)
Decrease in restricted cash	9,332
Cash received for sale of property	28,811
Interest received on investments	<u>5,885</u>
Net cash used in investing activities	<u>(2,997)</u>
Net increase in cash and cash equivalents	20,865
Cash and cash equivalents, beginning of year	<u>267,508</u>
Cash and cash equivalents, end of year	<u>\$ 288,373</u>
Reconciliation of operating income (loss) to	
net cash provided by operating activities:	
Operating income	\$ 18,234
Adjustments:	
Depreciation and amortization	68,228
Fees, rental and other	16,616
Changes in assets and liabilities:	
Accounts receivable	(13,052)
Prepaid expenses	(504)
Accounts payable and accrued expenses	20,024
Customer water assessment liabilities	(2,500)
Customer deposits	<u>1,450</u>
Net cash provided by operating activities	<u>\$ 108,496</u>

See accompanying notes to financial statements

**PUBLIC WATER SUPPLY DISTRICT #3 OF DAVIESS COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – DESCRIPTION OF OPERATIONS

The District is a Missouri political subdivision organized to supply residents and businesses located in Daviess County, Missouri with water.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

The District's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The District has elected under GASB Statement NO. 30, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

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

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

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities at December 31, 2019 and revenues and expenses during the year then ended. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements.

Cash and cash equivalents

For the purpose of the statement of cash flows the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**PUBLIC WATER SUPPLY DISTRICT #3 OF DAVIESS COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method based on the following useful lives:

Water distribution system	15-40 years
Equipment	5-7 years
Office improvements	40 years

Expenditures for major renewals and betterments that extend the useful life of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Income taxes

The District is a political subdivision and as such is exempt from federal and state income taxes. The District's payroll tax returns for the years ending 2019, 2018, and 2017 are subject to examination by the IRS, returns are generally eligible for examination for three years after they were filed.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principle operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or additional activities.

Net Position

Net Positions comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net Positions are classified in the following three components:

Invested in capital assets, net of related debt – This component of Net Position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.

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

Unrestricted – This component of Net Position consists of Net Position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

PUBLIC WATER SUPPLY DISTRICT #3 OF DAVIESS COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH AND INVESTMENTS

Cash and investments are presented on the accompanying statement of Net Position as of December 31, 2019 as follows:

Cash and cash equivalents	\$ 288,373
Restricted cash and investments	<u>32,150</u>
Total cash and investments	<u>\$ 320,523</u>

All of the District's cash and investments were deposited into financial institutions in demand accounts or certificates of deposit. As of December 31, 2019 the carrying amount of the District's deposits was \$320,523 and the bank balance was \$321,101. The difference between the bank balance and the carrying amount represents outstanding checks and deposits. Of the bank balance the entire amounts was either insured by federal depository insurance or collateralized by assets pledged by the financial institution.

NOTE 4 – CAPITAL ASSETS

Capital asset activity of the year ended December 31, 2019 was as follows:

	Balance January 1 2019	Transfers in and additions	Transfers out and retirements	Balance December 31 2019
<i>Capital assets, being depreciated:</i>				
Water system	\$1,217,694	\$ 19,677	\$ (52,284)	\$1,185,087
Equipment	265,326	-	-	265,326
Vehicles	25,882	27,348	(25,882)	27,348
Office improvements	<u>18,747</u>	<u>-</u>	<u>-</u>	<u>18,747</u>
Total capital assets being depreciated	<u>1,527,649</u>	<u>47,025</u>	<u>(78,166)</u>	<u>1,496,508</u>
<i>Less accumulated depreciation:</i>				
Water system	(611,285)	(35,607)	26,613	(620,279)
Equipment	(82,874)	(24,838)	-	(107,712)
Vehicles	(11,646)	(5,299)	14,666	(2,279)
Office improvements	<u>(7,856)</u>	<u>(781)</u>	<u>-</u>	<u>(8,637)</u>
Less accumulated depreciation	<u>(713,661)</u>	<u>(66,525)</u>	<u>41,279</u>	<u>(738,907)</u>
Total capital assets being depreciated net	<u>\$ 813,988</u>	<u>\$ (19,500)</u>	<u>\$ (36,887)</u>	<u>\$ 757,601</u>

PUBLIC WATER SUPPLY DISTRICT #3 OF DAVIESS COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT

On August 26, 2015 the District issued Waterworks Refunding Bonds Series 2015 in the amount of \$256,100 to redeem the outstanding balance of the Series 2008 Waterworks Refund Revenue Bonds. These bonds were paid in full in 2019.

On July 31, 2018 the District entered into an equipment lease purchase agreement for the purchase of electronic meter read equipment. The lease bears interest at 3.55% and is paid in annual installments of \$19,515 per year.

Changes to the District's long-term debt are as follows:

Total long-term debt at beginning of year	\$ 197,200
Additions to long term debt	-
Note payable retirements	<u>(76,357)</u>
Total long-term debt at year end	120,843
Less current portion	<u>(17,025)</u>
Non current portion	<u>\$ 103,818</u>

Future debt service payments are as follows:

Fiscal Year ending December 31,	Principal	Interest	Total
2020	\$ 17,025	\$ 2,490	\$ 19,515
2021	15,830	3,685	19,515
2022	16,392	3,123	19,515
2023	16,974	2,541	19,515
2024	17,576	1,939	19,515
2025-2026	<u>37,046</u>	<u>1,986</u>	<u>39,032</u>
	<u>\$ 120,843</u>	<u>\$ 15,764</u>	<u>\$ 136,607</u>

**PUBLIC WATER SUPPLY DISTRICT #3 OF DAVIESS COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – CUSTOMER WATER ASSESSMENT LIABILITY

Under the District's Water Users Agreement each metered lot is assessed a one time fee of \$500 or \$100 if the lot has house or is unimproved, respectively. The funds from the water assessment have been used to pay for improvements to the water distribution system. When a house or metered lot is sold the District must refund the water assessment paid. The new owner is then required to pay the assessment.

NOTE 7 – LEASE AGREEMENT

On February 10, 2005, the District entered into a lease agreement with a local internet service provider to lease space on its water tower for an antenna. Under the terms of the lease the District was to be paid annual installments of \$2,600 plus a \$39.95 referral fee for any of its customers that began using the service. During 2019 the amount of rental and referral income received was \$2,600.

NOTE 8 - CONTINGENCIES

Concentrations of Credit Risk

Financial statements that potentially subject the District to concentrations of credit risk consist primarily of temporary cash investments and trade accounts receivable. The District places its temporary cash investments with financial institutions and the total amount was covered by Federal Deposit Insurance Corporation limits or by securities pledged by the institutions. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the District's customer base. As of December 31, 2019 the District had no significant concentrations of credit risk.

Risk of Loss

The District is exposed to the risk of loss on its property and equipment and employee fraud. This risk is handled with the purchase of commercial property and liability insurance. During the year ended December 31, 2019 there were no reductions in insurance coverage from the prior year.

NOTE 9 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 3, 2020, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.

APPENDIX C

DEFINITIONS OF WORDS AND TERMS AND SUMMARY OF THE DOCUMENTS

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, the Lease and this Official Statement unless the context clearly otherwise requires. Reference is hereby made to the Indenture and the Lease for complete definitions of all terms.

“Additional Certificates” means any additional parity certificates of participation delivered pursuant to the Indenture.

“Additional Payments” means the additional payments described in the Lease.

“Authorized District Representative” means the President, the District Manager, the District Clerk or such other person at the time designated, by written certificate furnished to the Trustee, as the person or persons authorized to act on behalf of the District.

“Available Revenues” means, for any Fiscal Year, any balances of the District from previous Fiscal Years encumbered to pay Rent, amounts budgeted or appropriated by the District for such Fiscal Year plus any unencumbered balances of the District from previous Fiscal Years that are legally available to pay Rent during such Fiscal Year, plus all moneys and investments, including earnings thereon, held by the Trustee pursuant to the Indenture.

“Business Day” means any day other than (a) a Saturday or Sunday or legal holiday or a day on which banks located in the city in which the corporate trust office of the Trustee is required or authorized by law to remain closed or (b) a day on which the Securities Depository is closed.

“Certificate Payment Date” means any date on which any amount representing the Principal Component or the Interest Component with respect to any Certificate is payable.

“Certificate Register” means the books maintained by the Trustee for the registration, transfer and exchange of Certificates as described in the Indenture.

“Certificate Registrar” means the Trustee when acting in that capacity, or its successor as Certificate Registrar.

“Certificates” means the Series 2021 Certificates delivered under the Indenture and any Additional Certificates delivered pursuant to the Indenture.

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

“Completion Certificate” means the certificate delivered to the Trustee pursuant to the Lease and the Indenture evidencing substantial completion of the Project and acceptance of the Project by the District.

“Completion Date” means the date of completion of the Project as that date shall be certified as provided in the Lease.

“Construction Period” means the period from the beginning of construction of the Project to the Completion Date.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, execution, sale and delivery of the Certificates.

“Costs of the Project” means all reasonable or necessary expenses related or incidental to the Project, legal and other special services and all other necessary and incidental expenses. Costs of the Project shall include Costs of Issuance.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for the District or the Trustee.

“Defaulted Interest” means interest on any Certificate that is payable but not paid on the date due.

“Defeasance Obligations” means any of the following obligations:

- (a) Cash.
- (b) U.S. Treasury Certificates, Notes and Bonds.
- (c) Direct obligations of the Treasury which have been stripped by the Treasury itself.
- (d) The interest component of Resolution Funding Corporation (REFCORP) strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form.
- (e) Pre-refunded municipal bonds pre-refunded with cash or United States Government Obligations.

“Event of Default” means (a) with respect to the Indenture, any Event of Default as described in the Indenture, and (b) with respect to the Lease, any Event of Default as described in the Lease.

“Event of Nonappropriation” means a nonrenewal of the Lease by the District determined by the failure of the District to appropriate and budget, or the election of the District not to so appropriate and budget, on or before the date required by the laws of the State during the Initial Term or any Renewal Term, moneys sufficient to pay the Rental Payments and reasonably expected Additional Payments due and payable during the next Renewal Term.

“Fiscal Year” means the fiscal year adopted by the District for accounting purposes, which as of the execution of the Indenture commences on January 1 of each year and ends on December 31 of the following year.

“Full Insurable Value” means the actual replacement cost of the Project less physical depreciation and exclusive of land, excavations, footings, foundations, parking lots and other parts of the Project that are not insurable.

“Interest Component” means the Interest Component of Rental Payments as provided by the Lease.

“Lease Term” means the period from the effective date of the Lease until the expiration thereof which includes the Original Term and any Renewal Term or Terms as provided in the Lease.

“Mandatory Prepayment Date” means any mandatory prepayment date established pursuant to the Indenture.

“Maximum Lease Term” means the Original Term and all Renewal Terms through the Renewal Term ending December 31, 2041 (unless otherwise provided in a Supplemental Lease).

“Net Proceeds” means the gross proceeds from any insurance or condemnation award with respect to the Project, less the payment of all expenses (including attorneys’ fees and expenses, Trustee’s fees, costs, charges and expenses, including any extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

“Opinion of Counsel” means a written opinion of counsel to the District or the Trustee.

“Option Purchase Price” means the price as specified in the Lease which the District may elect to pay to the Trustee to purchase the Property from the Trustee on the Optional Prepayment Date.

“Optional Prepayment Date” means any optional prepayment date established pursuant to the Indenture.

“Optional Purchase Date” means any date during the Lease Term as specified in the Lease upon which the District, pursuant to the Lease, may elect to purchase the Property for the then applicable Option Purchase Price.

“Original Term” means the period from the dated date of the Lease until the end of the Fiscal Year then in effect.

“Outstanding” means, when used with reference to Certificates, as of any particular date of determination, all Certificates theretofore authenticated and delivered under the Indenture, except the following Certificates:

- (a) Certificates theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

- (b) Certificates paid or deemed to be paid in accordance with the provisions of the Indenture;

- (c) Certificates alleged to have been mutilated, destroyed, lost or stolen which have been paid as provided in the Indenture;

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

- (e) for purposes of any consent or other action to be taken by the Registered Owners of a specified percentage of Certificates under the Indenture or the Lease, Certificates held by or for the account of the District or any person controlling, controlled by or under common control of the District.

“Paying Agent” means the Trustee and any other bank or trust company designated pursuant to the Indenture as paying agent for any series of Certificates and at which the principal, premium, if any, and interest on any such Certificates shall be payable.

“Permitted Encumbrances” means, as of any particular time (a) liens for ad valorem taxes and special assessments not then delinquent or if delinquent are being contested in accordance with the Lease, (b) the Indenture, (c) the Lease, (d) any and all Uniform Commercial Code Financing Statements executed to perfect any security interest created in connection with the delivery of the Certificates, (e) utility, access and other easements and rights-of-way, street dedications, mineral rights, restrictions, exceptions and encumbrances that the District certifies in writing will not materially interfere with or impair the operations being conducted using

the Property or easements granted to the Trustee, (f) such minor defects, irregularities, encumbrances, easements, mechanic's liens, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Property and as do not in the aggregate materially impair the property affected thereby for the purpose for which it was acquired or is held by the Trustee or the District, and (g) items affecting the Property that are agreed to in writing by the Trustee (in reliance upon the written direction of the Registered Owners of not less than a majority in aggregate Principal Components of the Certificates Outstanding) and the District.

"Permitted Investments" means any of the securities and obligations described in the Indenture, if and to the extent the same are at the time legal for investment of the District's moneys held in the Funds referred to in the Indenture.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Plans and Specifications" means the plans and specifications prepared for and showing the Project, as amended by the District from time to time prior to the Completion Date, the same being duly certified by the Authorized District Representative, which plans and specifications are on file at the principal office of the District and shall be available for reasonable inspection by the Trustee and its duly appointed representatives.

"Prime Rate" means that rate of interest which has most recently been established by Security Bank of Kansas City, at its office in Kansas City, Kansas, as its prime rate, such Prime Rate to be adjusted on the effective date of any change thereof as announced from time to time by Security Bank of Kansas City.

"Principal Component" means the Principal Component of Rental Payments as provided by the Lease.

"Prior Lease" means the Equipment Lease Purchase Agreement dated as of July 3, 2018 between Farmers Bank & Trust, a Kansas banking corporation and the District, related to the lease of meter reading equipment for the District.

"Project" means the acquisition, construction, and installation of the improvements described in the Indenture or any Supplemental Indenture, pursuant to the Lease, paid for in whole or in part from the proceeds of Certificates, and all replacements thereof and substitutions therefor made pursuant to the Lease, and all additions, alterations, modifications and improvements thereof made pursuant to the Lease, including, upon the delivery of Additional Certificates, including Project Additions financed with Additional Certificates.

"Project Additions" means all additions, improvements, extensions, alterations, expansions or modifications of the Property or any part thereof financed with the proceeds of Additional Certificates delivered pursuant to the Indenture.

"Project Agreement" means any agreement between the District and various parties providing for the acquisition, construction and installation of the Project.

"Project Costs" means all costs of acquisition, construction, improvement, furnishing and equipping of the Project, including those provided in the Indenture.

"Record Date" means the 15th day (whether or not a Business Day) of the calendar month next preceding the month in which each Certificate Payment Date occurs.

"Registered Owner," "Owner" or "Certificate Owner" when used with respect to any Certificate means the Person in whose name such Certificate is registered on the Certificate Register.

“Renewal Term” means the optional renewal terms of the Lease, each being a duration of one year and a term co-extensive with the District’s Fiscal Year.

“Rent” means, collectively, Rental Payments and Additional Payments.

“Rental Payment Date” means during the Lease Term, any day on or prior to each Certificate Payment Date, and any other date on which any Rental Payments are payable pursuant to the Lease.

“Rental Payments” means the payments described in the Lease.

“Series 2021 Certificates” means the District’s Refunding and Improvement Certificates of Participation, Series 2021, delivered pursuant to the Indenture.

“Special Counsel” means Gilmore & Bell, P.C. or any other attorney or firm of attorneys (which is mutually acceptable to the District and the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

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

“Supplemental Indenture” means any indenture supplemental or amendatory to this Trust Indenture entered into by the District and the Trustee to the Indenture.

“Supplemental Lease” means any agreement supplemental or amendatory to the Lease entered into by the District and the Trustee pursuant to the Indenture.

“Tax Compliance Agreement” means the Tax Compliance Agreement between the District and the Trustee, entered into in connection with the delivery of each series of Certificates for which the interest component of Rental Payments paid by the District and distributed to the registered owners of the Certificates is excluded from gross income for federal income tax purposes, as from time to time amended in accordance with the provisions thereof.

“Trust Estate” means the Trust Estate described in the Granting Clauses of the Indenture and in the Granting Clauses of any Supplemental Indenture.

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

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

The District and the Trustee, transfers in trust, pledges and assigns to the Trustee the property described below (said property being in the Indenture called the “Trust Estate”) as security for the payment of the Certificates:

- (a) all right, title and interest of the District in, to and under the Lease, including all Rental Payments and other payments, revenues and receipts derived by the Trustee under and pursuant to and subject to the provisions of the Lease (except for the rights of the Trustee to receive money for its own account and to indemnify under the Lease and any amounts required under Section 148(f) of the Code to be paid to the United States); and
- (b) all money, property and securities from time to time held by the Trustee under the terms of the Indenture, and any and all other real or personal property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security hereunder by or on behalf of the District, or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

Authorization of Additional Certificates

Additional Certificates may be delivered under and be equally and ratably secured by the Indenture on a parity with the Series 2021 Certificates and any other Additional Certificates Outstanding, at any time and from time to time while no Event of Default or Event of Nonappropriation has occurred and is continuing under the Indenture, upon compliance with the conditions provided in the Indenture, for any lawful purpose for the benefit of the District. The principal amount of any Additional Certificates may include an amount sufficient to pay the costs and expenses of delivery, a funding of a reserve account, if required, and such capitalized amounts as are permitted by law.

Additional Certificates may be delivered without the consent of the Registered Owners of the Certificates (a) if the Additional Certificates are being delivered to refund Certificates providing present value debt service savings for the District or (b) for Additional Certificates delivered in the principal amount, together with other Certificates then Outstanding, not to exceed \$2,750,000.

Creation of Funds

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

- (a) Certificate Fund; and
- (b) Project Fund.

Disbursements from the Project Fund

So long as no Event of Default or Event of Nonappropriation has occurred and is continuing, the money in the Project Fund shall be disbursed by the Trustee for the payment of remaining Project Costs upon receipt of requisition certificates in substantially the form attached to the Lease and signed by an Authorized District

Representative. All disbursements of Project Fund moneys shall, at the option of the District, be made either directly to the appropriate payees or to the District for reimbursement of Project Costs. The Trustee covenants and agrees to disburse such money in accordance with the provisions of the Indenture. In making disbursements for Project Costs, the Trustee may conclusively rely as to the completeness and accuracy of all statements in such requisition certificate without inquiry or investigation if such requisition certificate is signed by the Authorized District Representative. The Trustee shall not make any inspections of the Project nor any improvements thereon, make any provision to obtain completion certificates, mechanic's or materialmen's lien releases or otherwise supervise any phase of the acquisition, construction, improvement, furnishing or equipping of the Project. The receipt of a requisition signed by the Authorized District Representative shall constitute unto the Trustee an irrevocable determination that all conditions precedent to the payment of the specified amounts from the Project Fund have been completed.

Disposition Upon Completion of the Project

The completion of the Project and payment of all costs and expenses incidental thereto shall be evidenced by the filing with the Trustee by the Authorized District Representative of the Completion Certificate required by the Lease. As soon thereafter as practicable, any balance remaining in the Project Fund (other than amounts retained by the Trustee as specified in said certificate) shall without further authorization be deposited in the applicable subaccount of the Certificate Fund and applied by the Trustee as directed in writing by the District solely (i) to pay amounts representing Principal Component or premium, if any, with respect to the Certificates upon the payment or prepayment thereof at the earliest date permissible under the terms of the Indenture, or (ii) at the option of the District, to purchase Certificates at such earlier date or dates as the District may elect. The balance remaining in the Project Fund and transferred to the Certificate Fund shall be invested in accordance with the written direction of the District. Any investment direction of the District shall be in compliance with the Tax Compliance Agreement. Any earnings on such investments may be applied to pay amounts representing Principal Components, premium, if any, or Interest Components with respect to the Certificates. Any Certificates purchased by the Trustee with moneys from the Certificate Fund will be deemed canceled. From time to time as the proper disposition of the amounts retained by the Trustee and specified in said certificate shall be determined, to the extent that such amounts are not paid out by the Trustee pursuant to the Indenture, the District shall so notify the Trustee by one or more certificates as aforesaid and amounts from time to time no longer to be so retained by the Trustee shall be so deposited in the applicable subaccount of the Certificate Fund and applied by the Trustee as aforesaid.

Disposition upon Acceleration

If the Certificates shall have become due and payable pursuant to the Indenture, upon the date of payment by the Trustee of any money due as hereinafter provided in the Indenture, any balance remaining in the Project Fund shall without further authorization be deposited in the Certificate Fund by the Trustee with written notice to the District of such action.

Deposits into the Certificate Fund

The Trustee shall deposit into the Certificate Fund, as and when received, the following moneys:

- (a) All Rental Payments payable by the District to the Trustee specified in the Lease;
- (b) Any amount remaining in the Project Fund to be transferred to the Certificate Fund pursuant to the Indenture upon completion of the Project and any amount remaining in the Project Fund to be transferred to the Certificate Fund pursuant to the Indenture upon acceleration of the maturity of the Certificates;
- (c) The balance of any Net Proceeds of insurance or condemnation awards received by the Trustee pursuant to the Lease;

- (d) All interest and other income derived from investments of moneys required to be transferred to the Certificate Fund as provided in the Indenture; and
- (e) All other moneys received by the Trustee when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Certificate Fund.

Application of Moneys in the Certificate Fund

Except as provided in the Indenture, moneys in the Certificate Fund shall be expended solely for (1) the payment of the Principal Component, premium, if any, and Interest Component of the Rental Payments represented by the Certificates as the same mature and become due or upon the prepayment thereof, or (2) to purchase Certificates for cancellation prior to maturity.

Payments Due on Days Other than Business Days

In any case where any amount representing Principal Component, premium, if any, or Interest Component with respect to any Certificate is payable on a day other than a Business Day, then such amounts with respect to the Certificates 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 when due, and no interest shall accrue for the period after such date.

Nonpresentment of Certificates

In the event that any Certificate is not presented for payment when the Principal Component and premium, if any, with respect thereto becomes due, whether at maturity, upon prepayment or otherwise, or at the date fixed for prepayment thereof, if funds sufficient to pay such Certificate shall have been made available to the Trustee, all liability of the District to the Registered Owner thereof for the payment of such Certificate shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability for Interest Components with respect thereto, for the benefit of such Registered Owner of such Certificate, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture with respect to such Certificate. If any Certificate is not presented for payment within one year following the date when such Certificate becomes due, whether by maturity, upon prepayment or otherwise, the Trustee upon the request of the District shall repay to the District without liability for interest thereon the funds theretofore held by the Trustee for payment of such Certificate, and such Certificate shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the District, and the Registered Owner thereof shall be entitled to look only to the District for payment, and then only to the extent of the amount so repaid, and the District shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Investment of Moneys in Funds

Money in the Funds held by the Trustee thereunder shall, pursuant to the District's direction given by the Authorized District Representative, confirmed in writing, and subject to the Tax Compliance Agreement, be separately invested and reinvested by the Trustee in Permitted Investments which mature or are subject to prepayment by the holder prior to the date when such money will be needed or, if such written directions are not received, then the Trustee shall hold such moneys in uninvested cash. After the Trustee has notice pursuant to the Indenture of the existence of an Event of Default or an Event of Nonappropriation, the Trustee shall direct the investment of money in the Funds held by it under the Indenture. The Trustee shall sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in any Fund is insufficient for the purposes of such Fund. The Trustee may make any and all investments permitted by the Indenture through its own bond department or any affiliate or short-term investment department.

Any Permitted Investments shall be held by or under the control of the Trustee and will be deemed at all times to be a part of the Fund in which such money is originally held. Any loss resulting from Permitted Investments shall be charged to the applicable Fund. In determining the balance in any Fund, investments in such Fund shall be valued at the lower of their original cost or their fair market value as of the most recent Record Date, or as frequently as deemed necessary.

Events of Default

If any 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 amount representing Interest Components with respect to any Certificate;
- (b) Default in the due and punctual payment of any amount representing Principal Components or premium, if any, with respect to any Certificate, whether at maturity, upon prepayment or otherwise;
- (c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the District in the Indenture or in the Certificates contained (other than a default described in (a) or (b) above) or in any other document or instrument that secures or otherwise relates to the obligations secured, and the continuance thereof for a period of 30 days after written notice thereof shall have been given to the District by the Trustee, or to the Trustee (which notice of default the Trustee shall be required to accept) and the District by the Registered Owners of not less than 25% in aggregate principal amount of Certificates then Outstanding; provided, however, if any default shall be such that it cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the District within such period and diligently pursued until the default is corrected, so long as said default is corrected within 60 days after written notice thereof was first given as provided in the Indenture unless the Trustee otherwise consents; or
- (d) An Event of Default as specified in the Lease shall have occurred.

Acceleration of Maturity

If an Event of Default or an Event of Nonappropriation shall have occurred and be continuing, (1) the Trustee may, and (2) the Trustee shall, at the written direction of the Registered Owners of not less than 25% in aggregate principal amount of Certificates then Outstanding, by notice in writing delivered to the District, declare the Rental Payments and Additional Payments payable during the current Renewal Term immediately due and payable, and such Rental Payments and Additional Payments shall thereupon become and be immediately due and payable, anything in the Indenture or in the Certificates to the contrary notwithstanding.

If, at any time after such declaration, but before the Certificates shall have matured by their terms, all overdue installments representing Principal and Interest Components with respect to the Certificates, together with the reasonable and proper costs, charges, fees and expenses of the Trustee, and all other sums then payable by the District under the Indenture either has been paid or provision satisfactory to the Trustee for such payment has been made, then and in every such case the Trustee shall, upon the written request of the Registered Owners of not less than a majority in aggregate Principal Components of the Certificates Outstanding, rescind such declaration and annul such default in its entirety. In such event, the Trustee shall rescind any declaration of acceleration of installments of Rental Payments made pursuant to the Lease.

In case of any rescission, then and in every such case the District, the Trustee and the Registered Owners shall be restored to their former position and rights respectively, but no such rescission shall extend to any subsequent or other default or Event of Default or Event of Nonappropriation or impair any right consequent thereon.

Exercise of Remedies by the Trustee

If an Event of Default or Event of Nonappropriation has occurred and is continuing, (1) the Trustee may, and (2) the Trustee shall, upon the written request of the Registered Owners of not less than 25% in aggregate principal amount of Certificates then Outstanding, and upon being indemnified as provided in the Indenture, pursue and exercise any available remedy at law or in equity by suit, action, mandamus or other proceeding or exercise such one or more of the rights and remedies conferred by the Indenture and the Lease as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Registered Owners, to enforce the payment of the Principal Component, premium, if any, and Interest Component of the Rental Payments represented by the Certificates then Outstanding and to enforce and compel the performance of the duties and obligations of the District under the Lease.

Limitation on Exercise of Remedies by Registered Owners

No Registered Owner 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 thereunder, unless (a) an Event of Default or Event of Nonappropriation has occurred of which the Trustee has been notified or is deemed to have notice as provided in the Indenture, (b) the Registered Owners of not less than 25% in aggregate principal amount of Certificates then Outstanding shall have made written request to the Trustee and have furnished the Trustee reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, and have furnished to the Trustee indemnity as provided in the Indenture, and (c) the Trustee thereafter fails or refuses to exercise the powers and remedies granted in the Indenture or to institute such action, suit or proceeding in its own name. No one or more Registered Owners shall have any right in any manner whatsoever to affect, disturb or prejudice the Indenture by its, his or their action or to enforce any right thereunder except in the manner provided in the Indenture. All proceedings at law or in equity shall be instituted, had and maintained in the manner provided and for the equal benefit of the Registered Owners of all Certificates then Outstanding. Nothing in the Indenture contained shall, however, affect or impair the right of any Registered Owner to payment of amounts representing Principal and Interest Components of the Rental Payments represented by any Certificate at and after the maturity thereof or the obligation of the District to provide for payment of the Principal Component, premium, if any, and Interest Component of the Rental Payments represented by any Certificate delivered under the Indenture to the respective Registered Owners thereof at the time, place, from the source and in the manner expressed in the Indenture and in the Certificates.

Right of Registered Owners to Direct Proceedings

Anything in the Indenture to the contrary notwithstanding, the Registered Owners of not less than a majority in aggregate Principal Components with respect to the Certificates then Outstanding shall have the right at any time, upon an Event of Default or an Event of Nonappropriation, 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 or any other proceedings thereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and to the extent not inconsistent with the Indenture.

Application of Moneys in Event of Default or Event of Nonappropriation

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall, after payment of the costs, fees, charges, and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances incurred or made by the Trustee, including any attorneys' fees and expenses, be deposited in the applicable subaccount of the Certificate Fund. All moneys so deposited in the Certificate Fund shall be applied as follows:

(1) Unless any of the Principal Components with respect to any Certificates shall have become or shall have been declared due and payable, all such moneys shall be applied:

First -- To the payment to the persons entitled thereto of all installments of amounts representing Interest Components then due and payable with respect to any Certificates, in the order in which such interest installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such Interest Component installment, to the persons entitled thereto, without any discrimination or privilege; and

Second -- To the payment to the persons entitled thereto of the unpaid amounts representing Principal Components with respect to any of the Certificates which have become due and payable (other than Certificates called for prepayment for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full amounts representing Principal Components due with respect to Certificates on any particular date, then to the payment, ratably, according to the amount of Principal Components due on such date, to the persons entitled thereto without any discrimination or privilege.

(2) If any of the Principal Component of the Rental Payments represented by the Outstanding Certificates has become due or been declared due and payable, all such moneys shall be applied to the payment of the amounts then due and unpaid with respect to such Certificates, without preference or priority of Principal Component over Interest Component or of Interest Component over Principal Component or of any installment of Interest Component over any other installment of Interest Component or of any Certificate over any other Certificate, ratably, according to the amounts due respectively for the Principal Component and Interest Component, to the persons entitled thereto, without any discrimination or privilege.

(3) If the Principal Component of the Rental Payments represented by any of the Outstanding Certificates has been declared due and payable, and if such declaration thereafter has been rescinded and annulled under the provisions of the Indenture, then, subject to the provisions of subsection (2) above in the event that the Principal Component with respect to any of the Outstanding Certificates later becomes due or is declared due and payable, the moneys shall be applied in accordance with the provisions of subsection (1) above.

Waivers of Event of Default or Event of Nonappropriation

Subject to the provisions of the Indenture, the Trustee may waive any Event of Default or any Event of Nonappropriation under the Indenture and its consequences and rescind any declaration of maturity of Rental Payments and Additional Payments, and shall do so upon the written request of the Owners of at least a majority in aggregate principal amount of all Certificates then Outstanding. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee under the Indenture on account of any such Event of Default or Event of Nonappropriation are discontinued or abandoned for any reason, or are determined adversely, then and in every such case the Trustee and the Registered Owners shall be restored to their former positions, rights and obligations thereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been undertaken.

Acceptance of the Trusts

The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts as a prudent person, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into the Indenture against the Trustee.

Resignation of the Trustee

The Trustee and any successor Trustee may at any time resign from the trusts created by giving 30 days' written notice to the District and the Registered Owners whose names and addresses are on file with the Trustee, and such resignation shall take effect upon the earlier of (i) the end of such 30 days or (ii) the appointment of a successor Trustee by the District or by the Owners of at least a majority in aggregate stated Principal Components represented by the Certificates then Outstanding in accordance with the Indenture; provided, however, that in no event shall the resignation of a Trustee or successor Trustee become effective until such time as a successor Trustee has been appointed and has accepted the appointment in accordance with the Indenture. If at any time the Trustee shall cease to be eligible to act as trustee in accordance with the provisions of the Indenture, the Trustee shall immediately resign in the manner provided in the Indenture. In the event that the District or the Registered Owners of at least a majority in aggregate Principal Components represented by the Certificates then Outstanding fail to appoint a successor Trustee within 30 days after notice of resignation has been given by the Trustee, the Trustee shall have the right to petition a court to appoint a successor Trustee.

Removal of the Trustee

The Trustee may be removed at any time for any breach of trust or by an instrument or concurrent instruments in writing delivered (a) to the Trustee and the District and signed by the Registered Owners of not less than a majority in aggregate Principal Components represented by the Certificates then Outstanding, or (b) to the Trustee and the Registered Owners and signed by the District (so long as no Event of Default or Event of Nonappropriation shall have occurred and being continuing). In no event shall the removal of a Trustee or successor Trustee become effective until such time as a successor Trustee has been appointed and has accepted such appointment. In the event that the District or the Registered Owners of at least a majority in aggregate Principal Components represented by the Certificates then Outstanding fail to appoint a successor Trustee within 30 days after said instrument or concurrent instruments removing the Trustee are delivered to the Trustee, the Trustee shall have the right to petition a court to appoint a successor Trustee.

Appointment of Successor Trustee

In case the Trustee shall resign or be removed, or shall otherwise become incapable of acting, 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 by the Registered Owners of a majority in aggregate principal amount of Certificates then Outstanding by an instrument or concurrent instruments in writing; provided, nevertheless, that in case of such vacancy and so long as no Event of Default or Event of Nonappropriation under the Indenture shall have occurred and be continuing, the District, by an instrument executed and signed by its President and attested by its District Clerk under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Registered Owners or the District in the manner provided in the Indenture; and any such temporary Trustee so appointed by the District shall immediately and without further act be superseded by the successor Trustee so appointed by such Registered Owners. Every such Trustee appointed shall warrant at the time of accepting such trust and exercising the powers of the Trustee under the Indenture that (i) it is a trust company or bank in good standing located in or incorporated under the laws of one of the states of the United States of America, (ii) it is duly authorized to exercise trust powers and is qualified to accept such trust, (iii) it is subject to examination by a federal or state authority, (iv) it shall maintain a reported capital and surplus of not less than \$75,000,000. If such institution publishes reports of conditions at least annually pursuant to law or regulation, then the capital and surplus of such institution shall be deemed to be its capital and surplus as set forth in its most recent report of condition so published.

Supplemental Indentures Not Requiring Consent of Registered Owners

The District and the Trustee may from time to time, subject to the provisions of the Indenture, without the consent of or notice to any of the Registered Owners, enter into a Supplemental Indenture or Supplemental Indentures not 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 make any other change which in the judgment of the Trustee is not prejudicial to the Trustee or materially adverse to the security of the Registered Owners (provided the Trustee is entitled to receive and rely upon an opinion of counsel in exercising such judgment);
- (b) To grant to or confer upon the Trustee for the benefit of the Registered Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners or the Trustee or either of them;
- (c) To more precisely identify the Facilities or the Trust Estate or to add property thereto;
- (d) To subject to the Indenture additional revenues, properties or collateral;
- (e) To comply with the arbitrage rebate requirements of Section 148(f) of the Code; and
- (f) To deliver Additional Certificates as provided in the Indenture.

Supplemental Indentures Requiring Consent of Registered Owners

Exclusive of Supplemental Indentures not requiring the consent of the Registered Owners and subject to the terms and provisions contained in the Indenture, with the prior written consent of the Registered Owners of not less than a majority in aggregate Principal Components represented by the Certificates then Outstanding, the District and the Trustee shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to execute such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary and desirable by the District for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing shall permit or be construed as permitting without the consent of the Registered Owners of 100% in aggregate Principal Components represented by the Certificates then Outstanding (1) an extension of the maturity or mandatory prepayment date of any installment representing Principal or Interest Components with respect to any Certificate delivered under the Indenture, (2) a reduction in the Principal Component represented by any Certificate or the rate of interest with respect thereto, (3) a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates, (4) a reduction in the aggregate Principal Components represented by the Certificates or (5) a change to the optional, extraordinary optional or special mandatory prepayment provisions in the Indenture.

Opinion of Counsel

Before the District and the Trustee enter into any Supplemental Indenture, there shall have been delivered to the District and the Trustee an Opinion of Special Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture, will upon the execution and delivery thereof be valid and binding upon the District in accordance with its terms, and will not adversely affect the validity of the Certificates or the exclusion from federal gross income of interest on any Certificates that have been delivered.

Amendments to the Lease Not Requiring Consent of Registered Owners

The District and the Trustee shall, without the consent of or notice to any of the Registered Owners, enter into any amendment, change or modification of the Lease as may be required (a) by the provisions of the Lease or the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission in the Lease or in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or materially adverse to the security for the Registered Owners (provided the Trustee is entitled to receive and rely upon an opinion of counsel in exercising such judgment), (c) so as to more precisely identify the Property or add property thereto, or (d) in connection with the delivery of Additional Certificates under the Indenture.

Amendments to the Lease Requiring Consent of Registered Owners

Except for the amendments, changes or modifications not requiring the consent of the Registered Owners, neither the District nor the Trustee shall execute any other amendment, change or modification of the Lease without the giving of notice and the obtaining of the written approval or consent of the Registered Owners of not less than a majority in aggregate Principal Components represented by the Certificates at the time Outstanding given and obtained as provided in the Indenture.

Opinion of Counsel

Before the District and the Trustee consent to any amendment, change or modification of the Lease, there shall have been delivered to the District and the Trustee an Opinion of Special Counsel stating that the amendment, change or modification of the Lease is authorized or permitted by the Indenture and the instrument amended, changed or modified, will upon the execution and delivery thereof be valid and binding upon the District in accordance with its terms, and will not adversely affect the validity of the Certificates or the exclusion from federal gross income of interest on any Certificates that have been delivered.

Satisfaction and Discharge of the Indenture

When the Principal Components, premium, if any, and Interest Components with respect to all the Certificates shall have been paid in accordance with their terms or provision has been made for such payment, as provided in the Indenture, and provision has also been made for paying all other sums payable under the Indenture, including the fees, costs, charges and expenses of the Trustee and the Paying Agent to the date of retirement of the Certificates and all sums payable under the Lease, then the right, title and interest of the Trustee under the Indenture shall thereupon cease, determine and be void.

Certificates Deemed to be Paid

Certificates or any portion thereof shall be deemed to be paid when payment of the Principal Component, premium, if any, and Interest Component of the Rental Payments represented by the Certificates being paid to the due date thereof (whether such due date is by reason of maturity or upon prepayment as provided in the Indenture, or otherwise), either (1) shall have been made or caused to be made in accordance with the terms of the Indenture, or (2) provision therefor shall have been made by depositing with the Trustee or other duly authorized escrow agent, in trust and irrevocably setting aside exclusively for such payment, (i) moneys sufficient to make such payment or (ii) Defeasance Obligations maturing as to principal and interest, without reinvestment, in such amount and at such times as will ensure the availability of sufficient moneys to make such payment. At such time as a Certificate shall be deemed to be paid under the Indenture as aforesaid, such Certificate shall no longer be secured by or be entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Defeasance Obligations. Notwithstanding the foregoing, in the case of any Certificate which by its terms may be prepaid prior to the stated maturity thereof, no deposit of moneys or Defeasance Obligations shall be deemed a payment of such Certificates as aforesaid until, as to all such Certificates which are to be prepaid prior to their respective stated maturities, (1) proper notice of such prepayment shall have been given in accordance with the Indenture or irrevocable instructions shall have been given to the Trustee to give such notice and (2) in the case of Certificates which do not mature or will not be prepaid within 90 days of such deposit, there shall have been delivered to the Trustee a verification report of an independent certified public accounting firm as to the adequacy of the trust funds to fully pay the Certificates deemed to be paid.

SUMMARY OF THE LEASE

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

Lease Term

The Original Term of the Lease shall terminate the last day of the current Fiscal Year. The Lease Term may be continued, solely at the option of the District, at the end of the Original Term or any Renewal Term for an additional one-year, provided that the final Renewal Term shall not extend beyond December 31, 2041. At the end of the Original Term and at the end of each Renewal Term, unless the District has terminated the Lease pursuant to the Lease and for no other reason, the District shall be deemed to have exercised its option to continue the Lease for the next Renewal Term. The terms and conditions during any Renewal Term shall be the same as the terms and conditions during the Original Term, except for any difference in the Rent as provided in the Lease.

Continuation of Lease Term by District

The District reasonably believes that legally available funds in an amount sufficient to make all payments of Rent during the Original Term and each of the Renewal Terms can be obtained. The District further covenants that its responsible financial officer shall do all things lawfully to obtain and maintain funds from which the Rent may be paid, including making provision for such payments to the extent necessary in each proposed budget or appropriation request submitted for adoption in accordance with applicable provisions of law and to exhaust all available reviews and appeals in the event such portion of the budget or appropriation request is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds or to extend the Lease for any Renewal Term is to be made in accordance with the District's normal procedures for such decisions by the then current governing body of the District.

Nonappropriation

The District is obligated only to pay periodic payments under the Lease as may lawfully be made from Available Revenues. If an Event of Nonappropriation occurs, the Lease shall be deemed terminated at the end of the then current Original Term or Renewal Term. An Event of Nonappropriation shall be deemed to have occurred if the District fails to budget, appropriate or otherwise provide for sufficient funds to pay Rental Payments and any reasonably anticipated Additional Payments to come due during the immediately following Renewal Term. The District agrees to deliver notice to the Trustee of such termination at least 90 days prior to the end of the then current Original Term or Renewal Term, but failure to give such notice shall not extend the term beyond such Original Term or Renewal Term. If the Lease is terminated as a result of an Event of Nonappropriation, the District agrees peaceably to transfer and surrender possession of the Leased Property to the Trustee.

Rental Payments

The District shall promptly pay all Rental Payments, subject to the Lease, in lawful money of the United States of America to the Trustee on each Rental Payments Date in such amounts as are described on in the Lease. A portion of each Rental Payments Payment is paid as, and represents payment of, interest as set forth in the Lease (said interest to be attributable to the various Principal Components in accordance with the per annum rates set forth in the Lease). The District hereby agrees to pay the Rental Payments in accordance with the Lease.

To provide for the timely payment of Rental Payments, the District shall pay to the Trustee for deposit in the Certificate Fund not less than five business days before each Rental Payments Payment Date, the amount due on such Rental Payments Payment Date.

The District will, in accordance with the requirements of law and its normal budgeting procedures, fully budget and appropriate sufficient funds for the current Fiscal Year to make the Rent Payments scheduled to come due during the Original Term, and to meet its other obligations for the Original Term, and such funds will not be expended for other purposes.

Additional Payments

The District shall pay as Additional Payments (a) all Impositions; (b) all amounts required under the Lease and all other payments of whatever nature which the District has agreed to pay or assume under the Lease; (c) all expenses, including attorneys' fees and expenses to the extent permitted by law, incurred in connection with the enforcement of any rights under the Lease by the Trustee; (d) all fees, charges and expenses of the Trustee as further provided in the Lease, and (e) any payments required to be made pursuant to the Tax Compliance Agreement. Such amounts shall be paid directly to the person or entity owed.

Rent Payments to Constitute a Current Expense and Limited Obligation of the District

NOTWITHSTANDING ANY OTHER PROVISION OF THE LEASE, THE TRUSTEE AND THE DISTRICT UNDERSTAND AND INTEND THAT THE OBLIGATION OF THE DISTRICT TO PAY RENT UNDER THE LEASE BE LIMITED TO PAYMENT FROM AVAILABLE REVENUES AND SHALL CONSTITUTE A CURRENT EXPENSE OF THE DISTRICT AND SHALL NOT IN ANY WAY BE CONSTRUED TO BE A DEBT OF THE DISTRICT IN CONTRAVENTION OF ANY APPLICABLE CONSTITUTIONAL OR STATUTORY LIMITATION OR REQUIREMENT CONCERNING THE CREATION OF INDEBTEDNESS BY THE DISTRICT, NOR SHALL ANYTHING CONTAINED IN THE LEASE CONSTITUTE A PLEDGE OF THE GENERAL TAX REVENUES, FUNDS OR MONEYS OF THE DISTRICT, AND ALL PROVISIONS OF THE LEASE SHALL BE CONSTRUED SO AS TO GIVE EFFECT TO SUCH INTENT.

Advances

In the event the District shall fail to either maintain the insurance required by the Lease or keep the Project in good repair, the Trustee may, but shall be under no obligation to, purchase the required insurance and pay the cost of the premiums therefor and maintain and repair the Project and pay the cost thereof. All amounts so advanced by the Trustee shall constitute Additional Payments for the then current Original Term or Renewal Term, and the District covenants and agrees to pay such amounts so advanced by the Trustee with interest thereon from the due date until paid at the rate of 10% per annum or the maximum amount permitted by law, whichever is less.

Net Lease; Rent Payments to be Unconditional

THE LEASE IS INTENDED TO BE NET, NET, NET TO THE TRUSTEE, SUBJECT TO THE LEASE, AND THE OBLIGATIONS OF THE DISTRICT TO MAKE PAYMENT OF THE RENT PAYMENTS AND TO PERFORM AND OBSERVE THE OTHER COVENANTS AND AGREEMENTS CONTAINED IN THE LEASE SHALL BE ABSOLUTE AND UNCONDITIONAL IN ALL EVENTS WITHOUT ABATEMENT, DIMINUTION, DEDUCTION, SETOFF OR DEFENSE, FOR ANY REASON, INCLUDING ANY FAILURE OF THE EQUIPMENT TO BE CONSTRUCTED OR INSTALLED, ANY DEFECTS, MALFUNCTIONS, BREAKDOWNS OR INFIRMITIES IN THE EQUIPMENT OR ANY ACCIDENT, CONDEMNATION OR UNFORESEEN CIRCUMSTANCES.

Nothing in the Lease shall be construed as a waiver by the District of any rights or claims the District may have against the Trustee under the Lease or otherwise, but any recovery upon such rights and claims shall be from the Trustee separately, it being the intent of the Lease that the District shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants under the Lease, including its obligation to pay Rental Payments and Additional Payments. The District may, however, at its own cost and

expense and in its own name or in the name of the Trustee, prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect its right of possession, occupancy and use under the Lease, and in such event the Trustee agrees, subject to receipt by the Trustee of satisfactory indemnity in accordance with the Declaration of Trust, to cooperate fully with the District and to take all action necessary to effect the substitution of the District for the Trustee in any such action or proceeding if the District shall so request.

Acquisition, Construction and Installation

The District represents, warrants, covenants and agrees as follows:

(a) It has entered into or will enter into Project Agreements providing for the undertaking and completion of the Project in accordance with the plans and specifications therefor;

(b) It will cause the Project to be completed with all reasonable dispatch in accordance with the applicable provisions of the Lease;

(c) All contracts entered into or to be entered into by the District relating to such work shall be in accordance with all applicable requirements of the laws of the State and shall have any payment and performance bonds required by the laws of the State;

(d) It has obtained or shall obtain all necessary or required permits, licenses, consents and approvals that are material for the purchase, construction, installation, operation and maintenance of the Project and shall comply with all lawful requirements of any governmental body regarding the completion, use or condition of the Project, whether existing or later enacted or foreseen or unforeseen or whether involving any change in governmental policy or requiring structural or other change to the Project and irrespective of the cost of so complying;

(e) It will pay all fees, costs and expenses incurred in completing the Project or, to the extent there are moneys in the Project Fund available therefor, will request the Trustee to make such payments from the Project Fund in the manner hereinafter and in the Indenture provided; and

(f) It will ask, demand, sue for and use its best efforts to recover and receive such sums of money, debts or other demand to which it may be entitled under any contract, order, receipt, guaranty, warranty, writing or instruction in connection with the Project, and it will use its best efforts, to the extent economically reasonable, to enforce the provisions of any contract, agreement, obligation, bond or other security in connection therewith, and any such amounts received in connection with the foregoing, after deduction of expenses incurred in recovering such amounts, shall be paid to the Trustee for deposit in the Project Fund if the Completion Date has not occurred or for deposit in the Certificate Fund if the Completion Date has occurred.

If the Project or any portion thereof is delayed or fails to occur for any reason, there shall be no diminution in or postponement of the payments to be made by the District hereunder.

Payment for Acquisition, Construction and Installation of the Project

Costs and expenses of every nature incurred in connection with the Project that qualify as Costs of the Project shall be paid by the Trustee from the Project Fund upon receipt by the Trustee of a completed request of the District signed by the Authorized Representative of the District and containing the statements, representations and certifications set forth in the form of such request attached to the Indenture.

Completion Date; Excess Funds

The Completion Date shall be evidenced to the Trustee upon receipt by the Trustee of a certificate signed by the Authorized Representative of the District (the "Completion Certificate") stating (a) the date on which Project was substantially completed, (b) that all other facilities necessary in connection with the Project have been acquired, constructed and installed, (c) that the Project and such other facilities have been acquired, constructed and installed in accordance with the plans and specifications and in conformance with all applicable zoning, planning, building, environmental and other similar governmental regulations, (d) that, except for Costs of the Project described in accordance with clause (e), all Costs of the Project have been paid and (e) the amounts, if any, to be retained in the Project Fund for the payment of Costs of the Project, if any, not yet due or Costs of the Project whose liability the District is contesting, and amounts that otherwise should be retained and the reasons they should be retained. The Completion Certificate may state that it is given without prejudice to any rights of the District that then exist or may subsequently come into being against third parties. Any amounts remaining in the Project Fund that are not needed to pay any remaining Costs of the Project shall be transferred to the Certificate Fund.

Deficiency of Project Fund

If the Project Fund shall be insufficient to pay fully all Costs of the Project and to complete fully the Project lien free, the District shall pay, in cash, the full amount of any such deficiency by making payments directly to the contractors and to the suppliers of materials and services as the same shall become due. The Trustee is not obligated to pay and shall not be responsible for any such deficiency, and the District shall save the Trustee whole and harmless from any obligation to pay such deficiency.

Impositions

The District shall bear, pay and discharge, before the delinquency thereof, as Additional Payments, all taxes and assessments, general and special, if any, that may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Project, including any taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, which if not paid when due would impair the security of the Trustee or encumber the Project (all of the foregoing being therein referred to as "Impositions").

Contest of Impositions

The District shall have the right, in its own name or in the Trustee's name, to contest the validity or amount of any Imposition which the District is required to bear, pay and discharge pursuant to the terms of this Article by appropriate legal proceedings instituted at least ten days before the Imposition complained of becomes delinquent and may permit the Imposition so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee shall notify the District that, in the opinion of counsel, by nonpayment of any such items the interest of the Trustee in the Project will be endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or provide the Trustee with full security against any loss which may result from nonpayment in form satisfactory to the Trustee. The Trustee agrees to cooperate with the District in connection with any and all administrative or judicial proceedings related to Impositions. The District shall hold the Trustee whole and harmless from any costs and expenses the Trustee may incur with respect to any Imposition.

Insurance Required

The District shall, during the Lease Term, cause the Project to be kept continuously insured against such risks customarily insured against for property such as the Project and shall pay (except as otherwise provided therein), as the same become due, all premiums in respect thereof, such insurance to include the following policies of insurance:

(a) Insurance insuring the Project against loss or damage by fire, lightning and all other risks covered by the extended coverage insurance endorsement then in use in the State in an amount not less than the replacement value of the Project and issued by such insurance company or companies authorized to do business in the State as may be selected by the District. The replacement value of the Project may be determined from time to time at the request of the District (but not less frequently than every three years) by an architect, contractor, appraiser, appraisal company or one of the insurers, to be selected, subject to the insurer's approval, and paid by the District. The policy or policies of such insurance shall name the District and the Trustee as insureds, as their respective interests may appear. All proceeds from such policies of insurance shall be applied as provided in the Lease.

(b) Comprehensive general accident and public liability insurance (including coverage for all losses whatsoever arising from the ownership, maintenance, operation or use of any automobile, truck or other motor vehicle), under which the District and the Trustee are named as insureds, in an amount not less than the limits of liability set by Section 537.610 of the Revised Statutes of Missouri (subject to reasonable loss deductible clauses).

(c) Workers' compensation and unemployment coverages to the extent, if any, required by the laws of the State.

Nothing in the Lease shall be construed as preventing the District from satisfying the insurance requirements in the Lease set forth by using blanket policies of insurance provided each and all of the requirements and specifications of the Lease respecting insurance are complied with.

Maintenance and Modification of Project by the District

The District will at its own expense (a) keep the Project in a safe condition, (b) with respect to the Project, comply with all applicable health and safety standards and all other industrial requirements or restrictions enacted or promulgated by the State, or any political subdivision or agency thereof, or by the government of the United States of America or any agency thereof, and (c) keep the Project in good repair and in good operating condition and make from time to time all necessary repairs thereto and renewals and replacements thereof; provided, however, that the District will have no obligation to operate, maintain, preserve, repair, replace or renew any element or unit of the Project, the maintenance, repair, replacement or renewal of which becomes uneconomical to the District because of damage, destruction or obsolescence, or change in economic or business conditions, or change in government standards and regulations. The District shall not permit or suffer others to commit a nuisance in or about the Project or itself commit a nuisance in connection with its use or occupancy of the Project. The District will pay all costs and expenses of operation of the Project.

The District may, also at its own expense, make from time to time any additions, modifications or improvements to the Project that it may deem desirable for its business purposes and that do not materially impair the structural strength or effective use, or materially decrease the value, of the Project. All additions, modifications or improvements made by the District pursuant to the authority of this Section shall (a) be made in a workmanlike manner and in strict compliance with all laws and ordinances applicable thereto, (b) when

commenced, be pursued to completion with due diligence and (c) when completed, be deemed a part of the Project.

During the Lease Term, the Project will be used by the District only for the purpose of performing governmental or proprietary functions of the District consistent with the permissible scope of the District's authority.

Damage, Destruction and Condemnation

The District shall bear the risk of loss with respect to the Project during the Lease Term. If (a) the Project or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty or (b) title to, or the temporary use of, the Project or any part thereof shall be nonexistent or deficient or taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm or corporation acting pursuant to governmental authority (other than the District), the District and the Trustee will cause the Net Proceeds of any insurance claim, condemnation award or sale under threat of condemnation to be applied to the prompt replacement, repair, restoration, modification or improvement of the Project. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the District and shall be held and appropriated by the District for the exclusive purpose of paying Rent under the Lease.

If the District determines that the repair, restoration, modification or improvement of the Project is not economically feasible or in the best interest of the District, then, in lieu of making such repair, restoration, modification or improvement and if permitted by law, the District shall deposit such Net Proceeds in the Certificate Fund to be applied to the payment of Rent under the Lease.

Assignment and Subleasing by the District

Except as expressly provided in the Lease, none of the District's right, title and interest in, to and under the Lease and in the Project may be assigned or encumbered by the District for any reason; except that the District may sublease, or grant licenses to use, any one or more parts of the Project if the District obtains an opinion of Special Counsel that such subleasing will not adversely affect the exclusion of the Interest Component of the Rental Payments from gross income for purposes of federal income taxation. Any such sublease or license of all or part of the Project shall be subject to the Lease and the rights of the Trustee in, to and under the Lease and the Project.

Events of Default Defined

Any of the following shall constitute an "Event of Default" under the Lease:

(a) Failure by the District to make any deposits required by the Lease to pay Rental Payments in the Certificate Fund at the time specified in the Lease;

(b) Failure by the District to make any Additional Payments when due and the continuance of such failure for ten days after written notice specifying such failure and requesting that it be remedied is given to the District by the Trustee;

(c) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in subparagraph (a) or (b) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the District by the Trustee unless such party shall agree in writing to an extension

of such time prior to its expiration; provided that, if the failure stated in the notice cannot be corrected within the applicable period, such party will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected;

(d) Any statement, representation or warranty made by the District in or pursuant to the Lease or the execution, delivery or performance of either of them shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made;

(e) Any provision of the Lease shall at any time for any reason cease to be valid and binding on the District, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the District or any governmental agency or authority if the loss of such provision would materially adversely affect the rights or security of the Trustee; or

(f) The District becomes insolvent or admits in writing its inability to pay its debts as they mature or applies for, consents to, or acquiesces in the appointment of a trustee, receiver or custodian for the District or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee, receiver or custodian for the District or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee, receiver or custodian is appointed by the District or a substantial part of its property and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement, moratorium or any proceeding under bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against the District and, if instituted against the District, is consented to or acquiesced in by the District or is not dismissed within 60 days.

Remedies on Default

Whenever any Event of Default exists, the Trustee shall have the right, without any further demand or notice, to take one or any combination of the following remedial steps:

(a) By written notice to the District, the Trustee may declare all Rent payable by the District hereunder to the end of the then current Original Term or Renewal Term to be due;

(b) With or without terminating the Lease, the Trustee may take possession of the Project and sell the Project or lease the Project or, for the account of the District, sublease the Project continuing to hold the District liable for the difference between (a) the Rent payable by the District hereunder for then current Original Term or Renewal Term, as the case may be, and (b) the net proceeds of any such sale, leasing or subleasing (after deducting all expenses of the Trustee in exercising its remedies under this Lease, including without limitation all expenses of taking possession, removing, storing, reconditioning, and selling or leasing or subleasing the Project and all reasonable brokerage, auctioneers and attorneys' fees);

(c) The Trustee may terminate any rights the District may have in any funds held by the Trustee under the Indenture; and

(d) The Trustee may take whatever action at law or in equity necessary or desirable to enforce its rights in the Project and under the Lease.

* * *

APPENDIX D

CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

Dated as of April __, 2021

By

PUBLIC WATER SUPPLY DISTRICT NO. 3 OF DAVIESS COUNTY, MISSOURI

relating to

\$2,350,000

**PUBLIC WATER SUPPLY DISTRICT NO. 3 OF DAVIESS COUNTY, MISSOURI
REFUNDING AND IMPROVEMENT CERTIFICATES OF PARTICIPATION
SERIES 2021**

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of April __, 2021 (the “**Continuing Disclosure Certificate**”), is executed and delivered by **PUBLIC WATER SUPPLY DISTRICT NO. 3 OF DAVIESS COUNTY, MISSOURI** (the “**Issuer**”).

RECITALS

1. This Continuing Disclosure Certificate is executed and delivered by the Issuer in connection with the delivery by the Issuer of \$2,350,000 original principal amount of Refunding and Improvement Certificates of Participation, Series 2021 (the “**Certificates**”), pursuant to a Trust Indenture dated as of the date hereof (the “**Indenture**”) and executed by the Issuer and Security Bank of Kansas City (the “**Trustee**”), in connection with the delivery of the Certificates (the “**Indenture**”).

2. The Issuer is entering into this Continuing Disclosure Certificate for the benefit of the Beneficial Owners (defined hereafter) of the Certificates and in order to assist the Participating Underwriter (defined hereafter) in complying with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “**Rule**”). The Issuer is the only “**obligated person**” (as defined by the Rule) with responsibility for continuing disclosure under this Continuing Disclosure Certificate.

The Issuer covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Continuing Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report filed by the Issuer pursuant to, and as described in, **Section 2** of this Continuing Disclosure Certificate.

“**Beneficial Owner**” means any registered owner of any Certificates and any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

“**EMMA**” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

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

“**Fiscal Year**” means the 12-month period beginning on January 1 and ending on December 31 or any other 12-month period selected by the Issuer as the Fiscal Year of the Issuer for financial reporting purposes.

“Material Events” means any of the events listed in **Section 3** of this Continuing Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

“Participating Underwriter” means any of the original underwriters of the Certificates required to comply with the Rule in connection with the offering of the Certificates.

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

Section 2. Provision of Annual Reports.

- (a) The Issuer shall, not later than the last day of the **sixth** month after the end of the Issuer’s Fiscal Year, commencing with the Fiscal Year ended December 31, 2020, provide to the MSRB, through EMMA, the following financial information and operating data (the **“Annual Report”**):
- (1) The audited financial statements of the Issuer for the prior Fiscal Year. If audited financial statements are not available by the time the Annual Report is required to be filed pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Certificates, and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available. The audited financial statements of the Issuer are currently prepared on the accrual basis of accounting. If the Issuer changes the format of its financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under **Section 3**, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.
 - (2) Updates as of the end of the Fiscal Year of certain financial information and operating data contained in the final Official Statement related to the Certificates, as described in **Exhibit A**, in substantially the same format contained in the final Official Statement with such adjustments to formatting or presentation determined to be reasonable by the Issuer.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an **“obligated person”** (as defined by the Rule), that have been filed with the MSRB and are available through EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB on EMMA. The Issuer shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be filed as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audited financial statements of the Issuer may be filed separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under **Section 3**.

- (b) The Annual Report shall be filed with the MSRB in such manner and format as is prescribed by the MSRB.

Section 3. Reporting of Material Events. No later than 10 business days after the occurrence of any of the following events, the Issuer shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Certificates ("**Material Events**"):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
- (7) modifications to rights of holders of the Certificates, if material;
- (8) Certificate calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Certificates, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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;
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and;
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

If the Issuer has not filed the Annual Report to the MSRB by the date required in **Section 2(a)**, the Issuer shall send a timely notice to the MSRB of the failure of the Issuer to file on a timely basis the Annual Report, which notice shall be given by the Issuer in accordance with this **Section 3**.

Section 4. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If the Issuer's obligations under this Continuing Disclosure Certificate are assumed in full by some other entity, such person shall be responsible for compliance with this Continuing Disclosure Certificate in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Certificates, the Issuer shall give notice of such termination or substitution in the same manner as for a Material Event under **Section 3**.

Section 5. Dissemination Agents. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Certificate, 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 (including without limitation the Annual Report) prepared by the Issuer pursuant to this Continuing Disclosure Certificate.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Certificate, the Issuer may amend this Continuing Disclosure Certificate and any provision of this Continuing Disclosure Certificate may be waived, provided that Special Counsel or other counsel experienced in federal securities law matters provides the Issuer with its written opinion that the undertaking of the Issuer contained herein, 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 this Continuing Disclosure Certificate.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Certificate, the Issuer shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under **Section 3**, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information. Nothing in this Continuing Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that required by this Continuing Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that specifically required by this Continuing Disclosure Certificate, the Issuer shall have no obligation under this Continuing Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Default. If the Issuer fails to comply with any provision of this Continuing Disclosure Certificate, any Participating Underwriter or any Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Continuing Disclosure Certificate. A default under this Continuing Disclosure Certificate shall not be deemed an event of default under the Indenture or the Certificates, and the sole remedy under this Continuing Disclosure Certificate in the event of any failure of the Issuer to comply with this Continuing Disclosure Certificate shall be an action to compel performance.

Section 9. Beneficiaries. This Continuing Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriter, and the Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 10. Severability. If any provision in this Continuing Disclosure Certificate, the Indenture or the Certificates shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11. Electronic Transactions. The arrangement described herein may be conducted and related documents may be stored, received or delivered by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 12. Governing Law. This Continuing Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Missouri.

Section 13. Counterparts. This Continuing Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**PUBLIC WATER SUPPLY DISTRICT NO. 3
OF DAVIESS COUNTY, MISSOURI**

By: _____
Name: Kyle Parkhurst
Title: President

EXHIBIT A
TO CONTINUING DISCLOSURE CERTIFICATE

**FINANCIAL INFORMATION AND OPERATING DATA TO BE
INCLUDED IN ANNUAL REPORT**

The financial information and operating data contained in the following sections and tables contained in Appendix A to the final Official Statement relating to the Certificates:

DEBT STRUCTURE OF THE DISTRICT

Long-Term General Obligation Indebtedness
Long-Term Revenue Obligations of the System
Debt Service Requirements

FINANCIAL INFORMATION CONCERNING THE DISTRICT

Historical Debt Service Coverage