

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 13, 2025

**NEW ISSUE
BOOK-ENTRY ONLY**

RATING: (BAM Insured) S&P: AA/Stable

*In the opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, the interest on the Series 2025 Bonds is exempt from State of Arkansas income tax and the Series 2025 Bonds are exempt from property taxation in the State of Arkansas. See **ARKANSAS TAX MATTERS** herein. In the opinion of Ice Miller LLP, Indianapolis, Indiana, Special Tax Counsel, under existing federal statutes, regulations and rulings, interest on the Series 2025 Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2025 Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. Such exclusion of interest on the Series 2025 Bonds is conditioned on the continuing compliance with the Tax Covenants (as herein defined). See **FEDERAL TAX MATTERS** herein.*

\$20,340,000*
**CITY OF WEST MEMPHIS, ARKANSAS
PUBLIC UTILITY SYSTEM REVENUE BONDS,
SERIES 2025**

Dated: Date of Delivery

Due: December 1, as shown on the inside front cover hereof

The Series 2025 Bonds are special obligations only of the City of West Memphis, Arkansas (the "City") and are payable from and secured by a pledge of revenues of the City's water, sewer and electric utility system (the "System"), which pledge of System revenues in favor of the Series 2025 Bonds is on a parity with the pledge of System revenues in favor of the City's Public Utility System Revenue Bonds, Series 2021 and the City's Public Utility System Revenue Bonds, Series 2024.

Interest on the Series 2025 Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2026, and the Series 2025 Bonds mature (on December 1 of each year), bear interest and are priced to yield as shown on the inside front cover hereof.

The Series 2025 Bonds of each maturity will be initially issued as a single registered bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Series 2025 Bonds will be available for purchase in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Series 2025 Bonds will not receive physical delivery of Series 2025 Bonds. Payments of principal of and interest on the Series 2025 Bonds will be made by Bank OZK, Little Rock, Arkansas, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Series 2025 Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Series 2025 Bonds, all as further described herein.

The scheduled payment of principal of and interest on the Series 2025 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2025 Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



The Series 2025 Bonds are offered when, as and if issued, subject to the approval of legality by Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, as Bond Counsel. Certain federal tax matters will be passed upon by Ice Miller LLP, Indianapolis, Indiana, as Special Tax Counsel. It is expected that the Series 2025 Bonds will be available for delivery on or about December 30, 2025, through the facilities of DTC.

The cover page contains information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Stephens Inc.



This Official Statement is dated _____, 2025

* Preliminary; subject to change.

\$20,340,000*
CITY OF WEST MEMPHIS, ARKANSAS
PUBLIC UTILITY SYSTEM REVENUE BONDS,
SERIES 2025

MATURITY SCHEDULE*

\$6,780,000 Serial Bonds

<u>Year</u> <u>(December 1)</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Yield(%)</u>	<u>Year</u> <u>(December 1)</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Yield(%)</u>
2026	\$295,000			2034	\$465,000		
2027	330,000			2035	490,000		
2028	345,000			2036	515,000		
2029	365,000			2037	540,000		
2030	385,000			2038	565,000		
2031	400,000			2039	595,000		
2032	420,000			2040	625,000		
2033	445,000						
	\$3,575,000	_____	%	% Term Bonds Due December 1, 2045 to Yield		_____	%
	\$4,440,000	_____	%	% Term Bonds Due December 1, 2050 to Yield		_____	%
	\$5,545,000	_____	%	% Term Bonds Due December 1, 2055 to Yield		_____	%

* Preliminary; subject to change.

No dealer, salesman or any other person has been authorized by the City or the Underwriters to give any information or to make any representations other than as contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the business, operations or financial condition of the City since the date hereof. This Official Statement does not constitute an offer of any securities other than those described on the cover page or an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized, or in which the person making the offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

Build America Mutual Assurance Company (the "Insurer") makes no representation regarding the Series 2025 Bonds or the advisability of investing in the Series 2025 Bonds. In addition, the Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer, supplied by the Insurer and presented under **BOND INSURANCE** and Appendix D - Specimen Municipal Bond Insurance Policy.

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OFFICIAL STATEMENT

\$20,340,000*
CITY OF WEST MEMPHIS, ARKANSAS
PUBLIC UTILITY SYSTEM REVENUE BONDS,
SERIES 2025

INTRODUCTORY STATEMENT

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the Series 2025 Bonds (as hereinafter defined) to potential investors is made only by means of the entire Official Statement, including the cover page hereof and appendices hereto. A full review should be made of the entire Official Statement, as well as the Trust Indenture described herein.

This Official Statement of the City of West Memphis, Arkansas ("the City") is for the purpose of setting forth certain information in connection with the City's Public Utility System Revenue Bonds, Series 2025 (the "Series 2025 Bonds") being issued in the aggregate principal amount of \$20,340,000*. The Series 2025 Bonds are being issued for the purpose of financing improvements for the electric facilities of the City's water, sewer and electric utility system (the "System"), to pay premiums for the Insurance Policy (hereinafter defined) and the Reserve Policy (hereinafter defined) and to pay expenses of issuing the Series 2025 Bonds. See **PURPOSES FOR SERIES 2025 BONDS** herein.

The Series 2025 Bonds are payable from and secured by a pledge of revenues derived from the operation of the System ("Revenues"). The pledge of Revenues in favor of the Series 2025 Bonds is on a parity with the pledge of Revenues in favor of the City's Public Utility System Revenue Bonds, Series 2021 and the City's Public Utility System Revenue Bonds, Series 2024 (collectively, the "Parity Bonds"). The City is authorized to issue other obligations with a pledge of Revenues on a parity with or subordinate to the pledge of Revenues in favor of the Series 2025 Bonds, upon compliance with the conditions set forth in the Indenture. References herein to the "Bonds" include the Series 2025 Bonds and any Additional Bonds (as described herein). See **SECURITY FOR THE SERIES 2025 BONDS** herein.

The Series 2025 Bonds are equally and ratably secured by, and entitled to the protection of, a Trust Indenture dated as of the dated date of the Series 2025 Bonds (the "Indenture") delivered by the City to Bank OZK, Little Rock, Arkansas (the "Trustee").

The Series 2025 Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Arkansas (the "State"), particularly Title 14, Chapter 164, Subchapter 4, Title 14, Chapter 202 and Title 14, Chapter 203 of the Arkansas Code of 1987 Annotated. The Bonds are special obligations of the City payable solely from and secured by a pledge of Revenues.

The Series 2025 Bonds will be initially issued in book-entry form and purchasers of Series 2025 Bonds will not receive certificates representing their interest in the Series 2025 Bonds purchased. See **BOOK-ENTRY ONLY SYSTEM**. The Series 2025 Bonds will contain such other terms and provisions as described herein. See **THE SERIES 2025 BONDS**, Generally.

The Series 2025 Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or integral multiple thereof. Interest is payable June 1, 2026 and semiannually thereafter on each June 1 and December 1. Principal is payable at the principal office of the Trustee in Little Rock, Arkansas. Interest is payable by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Series 2025 Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Series 2025 Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon

* Preliminary; subject to change.

delivery of the Series 2025 Bond, together with a written instrument of transfer, to the Trustee. See **THE SERIES 2025 BONDS**, Generally.

The scheduled payment of the principal of and interest on the Series 2025 Bonds when due will be guaranteed under a municipal bond insurance policy (the "Insurance Policy") to be issued by Build America Mutual Assurance Company (the "Insurer" or "BAM") simultaneously with the delivery of the Bonds. A specimen municipal bond insurance policy is attached hereto as Appendix D. It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services, LLC ("S&P"), will assign a rating of "AA/Stable" to the Series 2025 Bonds based upon the issuance of the Insurance Policy by the Insurer at the time of delivery of the Series 2025 Bonds. However, there is no guarantee that such rating will be received. See **BOND INSURANCE** and **RATING**.

The Series 2025 Bonds are subject to optional redemption on and after December 1, 2032. The Series 2025 Bonds must be redeemed from proceeds of the Series 2025 Bonds not needed for the purposes intended. The Series 2025 Bonds maturing on December 1 in the years 2045*, 2050* and 2055* are subject to mandatory sinking fund redemption as described herein. The Trustee shall give at least thirty (30) days notice of redemption. See **THE SERIES 2025 BONDS**, Redemption.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Series 2025 Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) interest on the Series 2025 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2025 Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations, (iii) interest on the Series 2025 Bonds is exempt from State income tax and (iv) the Series 2025 Bonds are not subject to property taxes in the State. See **FEDERAL TAX MATTERS** and **ARKANSAS TAX MATTERS**.

It is expected that the Series 2025 Bonds will be available for delivery on or about December 30, 2025, through the facilities of The Depository Trust Company in New York, New York.

The City and the Trustee will enter into a Continuing Disclosure Agreement in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Continuing Disclosure Agreement"). See **CONTINUING DISCLOSURE AGREEMENT**.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Indenture and the Continuing Disclosure Agreement summarized herein are available upon request from Stephens Inc., 111 Center Street, Little Rock, Arkansas 72201, Attention: Public Finance or Crews & Associates, Inc., 4007 N Rodney Parham Road, Little Rock, Arkansas 72212, Attention: Public Finance.

PURPOSES OF THE SERIES 2025 BONDS

The City owns an interest in the Independence Steam Electric Station ("ISES"), a coal-fired electric generation facility located in Independence County, Arkansas, which will cease to burn coal by December 31, 2030. To replace the electric generating capacity lost by the closure of ISES, a combined-cycle gas turbine power plant (the "CCGP") will be constructed in Independence County, Arkansas. The City will acquire a 2% ownership interest in the CCGP and, as a co-owner, will be responsible for paying its share of the costs of constructing and equipping the CCGP (the "Project"). See **THE SYSTEM**, Electric System. The Series 2025 Bonds are being issued for the purpose of (i) financing a portion of the costs of the Project, (ii) paying the premiums for the Insurance Policy and the Reserve Policy (hereinafter defined) and (iii) paying the costs of issuing the Series 2025 Bonds.

* Preliminary; subject to change.

The City's share of the costs of constructing and equipping the CCGP is estimated to be \$46,000,000. The City anticipates issuing revenue bonds, including the Series 2025 Bonds, to finance all costs of the Project. The additional revenue bonds are expected to be issued in one or more series over the next four years.

SOURCES AND USES OF FUNDS

The sources and uses of proceeds to finance the costs of the Project are estimated by the City as follows:

SOURCES:*

Principal Amount of Bonds	\$20,340,000
Net Original Issue Premium	<u>272,949</u>
 Total Sources	 \$20,612,949

USES:*

Project Costs	\$20,000,000
Costs of Issuance, Underwriters' Discount, Insurance Policy Premium and Reserve Policy Premium	 <u>612,949</u>
 Total Uses	 \$20,612,949

The payment of Underwriters' discount, Insurance Policy premium, Reserve Policy premium and the costs of issuing the Series 2025 Bonds relating to the payment of professional fees will be contingent on the Series 2025 Bonds being issued. See **UNDERWRITING** for a description of the Underwriters' discount. The Underwriters will also be reimbursed certain costs of closing and delivering the Series 2025 Bonds. The City will deposit the principal amount of the Series 2025 Bonds plus any original issue premium and less Underwriters' discount, any original issue discount, Insurance Policy premium, Reserve Policy premium and certain issuance costs into a special fund established with the Trustee designated "2025 Construction Fund" (the "Construction Fund"). Moneys contained in the Construction Fund will be expended for expenses of issuing the Series 2025 Bonds and for the payment of Project costs. Disbursements shall be on the basis of requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and a statement to the effect that the disbursement is for a proper expense of or pertaining to the Project or expenses of issuing the Series 2025 Bonds. For a description of how the Series 2025 Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE INDENTURE, Investment of Funds**.

THE SERIES 2025 BONDS

Generally. The Series 2025 Bonds are dated, mature, bear interest and interest is payable on the Series 2025 Bonds as set forth on the inside front cover page hereof.

The Series 2025 Bonds are issuable in the form of registered Series 2025 Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Indenture. In the event any Series 2025 Bond is mutilated, lost or destroyed, the City shall, if not then prohibited by law, execute and the Trustee may authenticate a new Series 2025 Bond in accordance with the provisions therefor in the Indenture.

* Preliminary; subject to change.

Each Series 2025 Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Series 2025 Bond or Bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

There shall be no charge to the transferor or transferee for any transfer, except an amount or amounts sufficient to reimburse the City and the Trustee for any tax, fee or other governmental charge required to be paid with respect to such transfer. Neither the City nor the Trustee shall be required to make transfers of registration with respect to any Series 2025 Bond or portion thereof called for redemption prior to maturity within thirty (30) days prior to its redemption date.

The person in whose name any Series 2025 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any Series 2025 Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2025 Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Series 2025 Bonds or the date fixed for redemption of any Series 2025 Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Redemption. The Series 2025 Bonds are subject to optional, extraordinary and mandatory sinking fund redemption as follows:

(1) Optional Redemption. The Series 2025 Bonds are subject to redemption at the option of the City from funds from any source, in whole or in part at any time, on and after December 1, 2032 at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Series 2025 Bonds shall be called for redemption, the particular maturities of the Series 2025 Bonds to be redeemed shall be selected by the City in its discretion. If fewer than all of the Series 2025 Bonds of any one maturity shall be called for redemption, the particular Series 2025 Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(2) Extraordinary Redemption. The Series 2025 Bonds must be redeemed from proceeds of the Series 2025 Bonds not needed for the purposes intended, on any interest payment date, in whole or in part, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee may determine), at a price equal to the principal amount being redeemed plus accrued interest to the redemption date.

(3) Mandatory Sinking Fund Redemption.* To the extent not previously redeemed, the Series 2025 Bonds maturing on December 1 in the years 2045, 2050 and 2055 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on December 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

* Preliminary; subject to change.

Series 2025 Bonds Maturing December 1, 2045

<u>Year</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>
2041	\$655,000
2042	685,000
2043	715,000
2044	745,000
2045 (maturity)	775,000

Series 2025 Bonds Maturing December 1, 2050

<u>Year</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>
2046	\$810,000
2047	850,000
2048	885,000
2049	925,000
2050 (maturity)	970,000

Series 2025 Bonds Maturing December 1, 2055

<u>Year</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>
2051	\$1,010,000
2052	1,060,000
2053	1,105,000
2054	1,160,000
2055 (maturity)	1,210,000

The Trustee shall give notice of the call for redemption by first class mail or other standard means, including electronic or facsimile communication, sent not less than thirty (30), nor more than sixty (60), days prior to the date fixed for redemption, to the registered owner of any Series 2025 Bond called for redemption. After the date specified in such call, the Series 2025 Bond or Bonds so called will cease to bear interest provided funds for their payment have been deposited with the Trustee.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Series 2025 Bonds. The Series 2025 Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2025 Bond certificate for each maturity will be issued in the principal amount of the maturity and will be deposited with DTC.

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

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

Purchases of Series 2025 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2025 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2025 Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2025 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Series 2025 Bonds, except in the event that use of the book-entry system for the Series 2025 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2025 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2025 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2025 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2025 Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent only to Cede & Co. If fewer than all of the Series 2025 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2025 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2025 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Series 2025 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements

as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2025 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2025 Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2025 Bonds will be printed and delivered.

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

So long as the Series 2025 Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Series 2025 Bonds for all purposes under the Indenture, including receipt of all principal of and interest on the Series 2025 Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Indenture. The City and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2025 Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to owners of Series 2025 Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Series 2025 Bonds.

SECURITY FOR THE SERIES 2025 BONDS

The Bonds (including the Series 2025 Bonds) are secured by a pledge of Revenues. The pledge of Revenues in favor of the Series 2025 Bonds is on a parity with the pledge of Revenues in favor of the Parity Bonds, any Other Parity Bonds (defined below) (to the extent issued in the future) and any Additional Bonds (to the extent issued in the future).

The 2025 Account of the Debt Service Reserve Fund (as hereinafter defined) will be funded with a municipal bond debt service reserve insurance policy (the "Reserve Policy") issued by the Insurer. The face amount of the Reserve Policy will be an amount equal to one-half of the maximum annual principal and interest requirements on the Series 2025 Bonds (the "Debt Service Reserve Requirement"). The 2025 Account of the Debt Service Reserve Fund only secures the Series 2025 Bonds. See **THE INDENTURE, Debt Service Reserve Fund**.

Additional Bonds. The City may issue, without the consent of the holders of the Bonds, one or more series of Additional Bonds. The Additional Bonds shall be issued under and subject to the requirements of the Indenture and shall rank on a parity of security in all respects with the Bonds of previously issued series.

Before any Additional Bonds may be issued, there must be delivered to the Trustee (among other things) a certificate of an independent certified public accountant to the effect that "adjusted gross revenues" of the System for the fiscal year immediately preceding the delivery of the Additional Bonds (the "immediately preceding fiscal year") were sufficient in amount:

- (i) to pay all Operation and Maintenance Expenses (as defined under **THE INDENTURE, Operation and Maintenance Fund**) for the immediately preceding fiscal year; and

(ii) to leave a balance equal to not less than 110% of the maximum annual principal and interest requirements for (A) the then outstanding Bonds (exclusive of any Bonds that are to be refunded upon the delivery of the Additional Bonds), (B) such Additional Bonds and (C) any then outstanding Parity Bonds and Other Parity Bonds (exclusive of any Parity Bonds or Other Parity Bonds that are to be refunded upon the delivery of the Additional Bonds). There shall be added to the amount of the annual principal and interest requirements any amounts owed in connection with the Reserve Policy or other debt service reserve fund insurance policies.

The term "adjusted gross revenues" means:

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

Other Parity Bonds. The City may, in addition to Additional Bonds under the Indenture, issue other bonds with a pledge of Revenues on a parity with the pledge of Revenues in favor of the outstanding Bonds (the "Other Parity Bonds"), upon compliance with the conditions set forth in the Indenture for the issuance of Additional Bonds.

Other Bonds. Nothing in the Indenture shall prohibit the City from issuing bonds or other obligations of indebtedness other than under the Indenture. Such obligations may be Other Parity Bonds or may be subject and subordinate to the lien, pledge and security interest of the Indenture and to all Bonds then outstanding or thereafter issued. Other obligations issued with a lien, pledge and security interest subordinate to the pledge in favor of the Bonds are collectively referred to herein as the "Subordinate Obligations." See **THE INDENTURE**.

THE SYSTEM

Generally. The System, consisting of water, sewer and electric utilities, has 71 employees and is operated by the City's Utility Commission. The Utility Commission is comprised of seven members who are nominated by any member of the City Council and elected by a majority vote of the City Council to serve for staggered three-year terms. Members are required to be qualified resident electors who shall be experienced in some type of business management. The current members of the Utility Commission, their occupations and term expiration dates are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Term Expires</u>
Dana Parker	Retired	December 12, 2026
Shirley Brown	Retired	December 12, 2026
Loutelious Holmes	Asst. Superintendent of Federal Programs, West Memphis School District	December 12, 2028
Dr. Alfreda Robinson	Certified Personal Trainer, Wellness Coach	December 12, 2027
Randy Sullivan	Guaranty Loan & Real Estate Commercial Leasing Manager	December 12, 2028
Elbert Smith	Anthony Funeral Home, Funeral Assistant	December 12, 2028
Billy Hayes	Paraprofessional, West Memphis School District	December 12, 2027

The General Manager is Bob Atkins, who is 58 years old and has occupied that position since February 12, 2024. Prior to coming to the City, Mr. Atkins was employed at Colorado Springs Utilities in Colorado Springs, Colorado. He has two Masters Degrees, one is an MBA and the other is a Master of Science in Finance from the University of Cincinnati.

Electric System. The electric system obtains its power supply from the City's ownership interests in generating facilities and from purchases of power from NextEra. Power is distributed to customers through a City owned distribution system.

The City is part of the Regional Transmission Organization (RTO) Mid-Continent Independent System Operator ("MISO"). The City has a power supply contract with NextEra that began on June 1, 2021. NextEra is responsible for managing the energy and capacity requirements within MISO. The contract terminates on June 1, 2026.

The City owns a 1% undivided ownership interest in the White Bluff Steam Electric Station ("White Bluff"), located near Redfield, Arkansas. White Bluff consists of two 740 MW (nameplate rating) coal-fired generating units. Unit 1 has been in commercial operation since August 1980 and has an 828 MW net capability. Unit 2 began commercial operation in July 1981 and has an 831 MW net capability. The City also owns a 1% undivided ownership interest in ISES. ISES consists of two 740 MW (nameplate rating) coal-fired generating units. Unit 1 began commercial operation in January 1983 and has an 836 MW net capability. Unit 2 began commercial operation in December 1984 and has an 842 MW net capability. White Bluff and ISES provide 33 MW of electrical generation for the City. White Bluff is scheduled to cease the combustion of coal by no later than December 31, 2028, and ISES is scheduled to cease the combustion of coal by no later than December 31, 2030.

To prepare for the White Bluff and ISES cease to burn coal dates, the City is partnering with Arkansas Electric Cooperative Corporation ("AECC") and other non-Entergy co-owners to construct the CCGP at the ISES site. To make this possible, Entergy Arkansas LLC ("Entergy") and the non-Entergy co-owners have executed necessary documents to transfer ownership of the ISES site, assets and Generator Interconnection to AECC, the City and other non-Entergy co-owners. In return, the ownership of White Bluff will be transferred to Entergy. This transfer of ownership of White Bluff and ISES will occur no later than the respective cease to burn coal dates. See **OWNERSHIP AND OPERATING AGREEMENTS, Ownership Agreements.**

The City will be a 2% co-owner in the CCGP. The ownership will be very similar to the City's arrangement with Entergy at White Bluff and ISES. As a co-owner of the CCGP, the City will have the ownership of its share of the capacity and energy to serve its customers for the life of the CCGP. The CCGP is anticipated to be roughly 1,500MW and to have a very high efficiency. The CCGP will bring reliability, stability and low cost power to the City's customers just as White Bluff and ISES have done for the last four decades. Pursuant to an ownership agreement that identifies the City's ownership interest in the CCGP, AECC will be the co-owners' agent to plan, design, license, permit, construct, operate, maintain, manage fuel, and market the resource in the MISO market. See **OWNERSHIP AND OPERATING AGREEMENTS, Ownership Agreements.**

The distribution system consists of approximately 200 miles of lines, poles, transformers and other facilities to serve individual customers. The system consists mainly of overhead distribution lines and feeders and more recently installed underground distribution lines. The system is operated and maintained by electric department crews and equipment.

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Electric Customers. The following table sets forth by customer classification the approximate number of electric customers for the last five years:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2020	10,196	1,539	49	11,784
2021	10,224	1,538	50	11,812
2022	10,141	1,529	51	11,721
2023	10,139	1,518	52	11,709
2024	10,199	1,509	52	11,760

The energy sales to customers (in KWH) by customer classification for the last five years are shown below.

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>
2020	136,456,677	94,843,388	93,411,861
2021	141,744,780	99,597,340	98,292,203
2022	141,598,669	103,878,686	107,081,422
2023	134,761,968	94,336,993	107,660,005
2024	139,667,263	99,222,485	110,555,231

Electric Rates. Charges for electric service consist of a fixed monthly charge (the "Electric Charge") for residential and commercial customers and a demand charge (the "Demand Charge") for industrial customers (small power service and large power service), plus, in each case, charges for actual usage (the "Usage Charge").

The Electric Charge, the Demand Charge and the Usage Charge are as follows:

<u>Electric Charge</u>	
Residential	\$6.50 per month
Commercial	\$11.00 per month
<u>Demand Charge</u>	
Small Power Service	\$2,100 per month
Large Power Service	\$7,000 per month
<u>Usage Charge</u>	
Residential	\$0.06 per KWH
Commercial	\$0.086 per KWH (first 2,100 KWH) \$0.064 per KWH (over 2,100 KWH)
Small Power Service	\$7.00 per KW (in excess of 300 KW) \$0.04 per KWH (energy charge)
Large Power Service	\$7.00 per KW (in excess of 1,000 KW) \$0.0352 per KWH (energy charge)

Water System. The water system is a ground water system with two treatment facilities. The primary facility has a total treating capacity of 12 million gallons per day ("MGD") operating with five wells. The primary facility has 1 million gallons of treated water in storage prior to the water being sent to the distribution system by five high service pumps. The alternate facility has a treating capacity of 2 MGD operating off one well that pumps directly to the distribution system. The distribution system consists of approximately 185 miles of lines and four elevated storage tanks having a total capacity of 3 million gallons. The City sells water on a wholesale basis to the City of Marion, Arkansas.

The following table sets forth the average daily water use, the maximum daily water use and the total water use for the last five years:

<u>Year</u>	<u>Average Daily Water Use in Gallons</u>	<u>Maximum Daily Water Use in Gallons</u>	<u>Total Water Use in Gallons</u>
2020	3,800,447	7,973,000	1,387,163,300
2021	4,047,472	12,110,000	1,447,327,100
2022	3,976,464	7,390,000	1,451,409,500
2023	4,022,221	10,332,000	1,468,110,700
2024	5,990,871	9,363,000	1,286,668,000

Water Customers. The following table sets forth the approximate number of water customers for the last five years:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2020	8,076	1,036	26	9,138
2021	8,066	1,039	26	9,131
2022	8,047	1,040	26	9,113
2023	8,107	1,031	26	9,164
2024	8,084	946	26	9,056

Water Rates. Charges for water service consist of a monthly meter charge based on meter size (the "Meter Charge") and additional charges based on usage (the "Usage Charge"). The Meter Charge and the Usage Charge are as follows:

Meter Charge

<u>Meter Size</u>	
3/4" Residential	\$ 13.00
3/4" Commercial	15.00
1"	29.40
1 1/2"	51.63
2"	68.74
4"	155.23
6"	241.08
8"	398.76

<u>Usage Charge</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
First 6,700 gallons	\$0.0969 per 100 gallons	\$1.60 per 1,000 gallons
Usage over 6,700 gallons	\$0.1164 per 100 gallons	\$1.92 per 1,000 gallons

Sewer System. The sewer treatment plant started treating wastewater in 1970. The sewer system currently treats 4,600,000 gallons per day of influent flow, 7,000 pounds per day of Biochemical Oxygen Demand (BOD) and 5,500 pounds per day of Total Suspended Solids (TSS). The plant is operated in Oxidation Ditch mode with a capacity of 6.3 MGD. The plant has two bar screens and three ditches, holding 2.1 million gallons per ditch. Plant percent removal for TSS and BOD is 95. There are four clarifiers and a UV system. The collection system consists of 40 pump stations and approximately 175 miles gravity lines and force mains.

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Sewer Customers. The following table sets forth the approximate number of sewer customers for the last five years:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2020	8,018	925	26	8,969
2021	8,013	961	26	9,000
2022	8,002	956	26	8,984
2023	8,046	943	26	9,015
2024	8,084	946	26	9,056

Sewer Rates. Sewer rates for residential and commercial users are 132% of the charge for metered water service. For residential service the months of October through May are utilized for the year. Rates for industrial users are calculated on the same basis but with additional charges for various pollutants.

Rate Setting. Rates for water, sewer and electric utility service are recommended to the City Council by the Utility Commission and adopted by ordinance by the City Council. The City's rates for utility service are not subject to regulation or approval by any other governmental body.

Largest Customers. Southland Casino and Racing accounted for 6.7% of Revenues in 2024. No other user accounted for more than 5% of Revenues in 2024. The largest customers of the System in 2024 were as follows:

<u>Customer</u>	<u>2024 Annual Revenue</u>
Southland Casino and Racing	\$2,935,214
Coca Cola Consolidated	1,245,966
West Memphis School District	887,185
Consolidated Containers	800,814
Americold	544,434

Litigation. On March 5, 2020, the Arkansas Department of Energy and Environment Division of Environmental Quality ("ADEQ") and the City entered into a Consent Administrative Order ("CAO") concerning, among other things, sanitary sewer overflows and unpermitted discharges. The City submitted to ADEQ a corrective action plan ("CAP") and milestone schedule with an initial final compliance date of December 31, 2023. In June 2024, the City and ADEQ entered into an amended CAO extending the deadline for completion until December 31, 2026. The City is ahead of schedule on the CAP. The wastewater treatment plant expansion is expected to be completed in the first quarter of 2026 and the final phase of the rehabilitation of the collection system has begun and will be completed by December 31, 2026.

Future Plans. The System is working to launch competitive broadband services in the City, aiming to provide more reliable and affordable internet services compared with that of existing commercial providers. With existing fiber infrastructure and a state-funded grant, the System anticipates minimal capital expenditures for the broadband rollout. The City is currently negotiating with multiple providers to lease the dark fibers on the City's broadband network.

OWNERSHIP AND OPERATING AGREEMENTS

Ownership Agreements. The City owns interests in White Bluff and ISES, and will own an interest in the CCGP, under respective Ownership Agreements (the "Ownership Agreements") among the various parties thereto.

White Bluff Ownership Agreement. White Bluff is owned by Entergy, AECC, City Water and Light Plant of the City of Jonesboro ("CWL"), the City of Conway, Arkansas ("Conway") and the City. The City's undivided interest is 1%. AECC, CWL, Conway and the City are collectively referred to

with reference to White Bluff as the "Participants." Each Participant is required to pay its ownership share of additions, repairs or replacements to or retirements at White Bluff. Payments are to be made monthly based on notification by Entergy of the nature and amounts of the costs incurred.

ISES Ownership Agreement. ISES is owned by Entergy (including interests owned by affiliated corporations), AECC, CWL, Conway, the City, the City of Osceola, Arkansas ("Osceola") and East Texas Electric Cooperative, Inc. ("ETEC"). The City's undivided interest is 1%. AECC, CWL, Conway, Osceola, ETEC and the City are collectively referred to with reference to ISES as the "Participants." Each Participant is required to pay its ownership share of additions, repairs or replacements to or retirements at ISES. Payments are to be made monthly based on notification by Entergy of the nature and amounts of the costs incurred.

CCGP Ownership Agreement. The land on which the CCGP will be constructed (the "Property") is presently owned by seven (7) co-owners as tenants-in-common holding respective undivided interests in the Property. Under applicable law each co-tenant has a legal right to occupy the entire property co-owned and may even make improvements without the consent of the other co-tenants. Each co-tenant also has a right to seek a partition of its interest in the Property, as described in more particular detail below. In any partition a co-tenant who makes improvements will be indemnified for them. All of the co-owners are parties to the Independence Steam Electric Station Ownership Agreement dated July 31, 1979, as subsequently amended (the "ISES Ownership Agreement"), which governs the ownership of ISES, which is located on land adjacent to the Property. Pursuant to the ISES Ownership Agreement, the co-owners have agreed to the use of the property for the operation of ISES and waived their respective rights to seek a partition of the Property until ISES is retired from commercial service, which is anticipated to be December 31, 2030.

Upon completion, the CCGP is expected to be owned by five (5) co-owners (AECC, CWL, Conway, the City and ETEC (collectively, the "CCGP Participants")) pursuant to an ownership agreement which shall govern the ownership of the CCGP (the "CCGP Ownership Agreement"). The form of the CCGP Ownership Agreement authorizes the use of the Property for purposes of the construction and operation of the CCGP and includes a waiver by each party of its respective right to seek a partition of the Property until the CCGP is retired from commercial service. Two (2) present co-owners, who collectively hold an interest in the Property of less than one percent (1%), are not anticipated to participate in the CCGP as parties to the CCGP Ownership Agreement (the "Non-Participants"). AECC, as the operator of the CCGP, has entered into an agreement to purchase one (1) Non-Participant's ownership interest in the Property. This purchase is anticipated to close in the first quarter of 2026. AECC is in negotiations with the other Non-Participant for the acquisition of the Non-Participant's ownership interest in the Property. However, the consummation of this transaction cannot be assured and it is possible one or more co-owners may not have consented to the use of the Property for the CCGP or be subject to any waiver of the right to partition upon the retirement of ISES from commercial service.

Under applicable State law the CCGP Participants, as co-tenants of the Property, have the right to construct and develop the CCGP upon the Property without the consent of the Non-Participants even if a Non-Participant retains an undivided interest. Therefore, the CCGP Participants are within their legal rights to construct and operate the CCGP on the Property without the consent of the Non-Participants. However, any Non-Participant would hold the right to seek partition upon the retirement of ISES.

Applicable State law governing partition, codified at Title 18, Chapter 60, Subchapter 4 of the Arkansas Code of 1987 Annotated, affords any person having an interest in land held in tenancy-in-common the right to seek a partition of such property through division or sale. Upon a co-owner's filing of a petition for partition in the Circuit Court of the county in which the land is located, the court may appoint commissioners to make partition of the land according to the respective rights and interests of the co-owners of the land. The commissioners shall make a report to the court as to how the land shall be divided, or alternatively, that the land cannot be divided without great prejudice to the owners. The court may confirm the report of the commissioners, or, for good cause, set aside the report and appoint

new commissioners to proceed in the same manner. Upon the court's confirmation of a commissioners' report, the land shall be either divided among the owners or sold in accordance with such report. Applicable law also provides that if any co-tenant has made improvements on the land such co-tenant will be indemnified either by having the part of the land on which the improvements are located allotted to such co-tenant or by receiving compensation.

It is possible that despite the development of the CCGP a Non-Participant would hold a right to seek partition of the Property. The action would result in the CCGP Participants receiving the portion of the Property on which the CCGP is located or a sale, with the CCGP Participants receiving compensation for the CCGP.

Pursuant to the CCGP Ownership Agreement, each CCGP Participant is required to pay its ownership share of the costs of constructing and equipping the CCGP. Upon completion of the CCGP, each CCGP Participant will be required to pay its ownership share of additions, repairs or replacements to or retirements at the CCGP with such payments made monthly based on notifications by AECC of the nature and extent and amounts of the costs incurred.

The CCGP Ownership Agreement provides that unless waived in writing by each party, obtaining all requisite governmental and regulatory approvals of its execution, delivery, and performance is a condition precedent to the respective obligations of the parties to the CCGP Ownership Agreement.

AECC anticipates applying to the Arkansas Public Service Commission (the "APSC") for a Certificate of Environmental Compatibility and Public Need ("CECPN") pursuant to Title 23, Chapter 18, Subchapter 5 of the Arkansas Code of 1987 Annotated before the end of 2025. The APSC must issue a decision on the application within six (6) months of the application. AECC is a public utility regulated by the APSC and must seek approval of the CECPN prior to construction of the CCGP, unless exempted. Among other things, the CECPN is necessary to vest AECC with the power of eminent domain to the extent such power is necessary to secure rights of way for the construction of the natural gas lateral pipeline intended to supply fuel to the CCGP and to enable AECC to secure and demonstrate site control for the CCGP.

Operating Agreements. White Bluff and ISES are, and the CCGP will be, operated in accordance with respective Operating Agreements (the "Operating Agreements") among the owners of the plants.

White Bluff Operating Agreement. Operation; Payment of Operating Costs. Entergy has sole authority to manage, control, maintain and operate White Bluff. Entergy and the Participants shall discharge all obligations under the Operating Agreement in a prudent manner and in accordance with good utility practices.

Entergy and each Participant shall be responsible for a proportionate share of Operating Costs equal to its respective ownership share. The Participants are to pay Entergy for all kWh generated at White Bluff for their respective accounts (or assumed to be generated at White Bluff for billing purposes) on the basis of actual fuel costs at White Bluff and the heat rate (assuming operation at 60% loading during summer test conditions) of its units.

"Operating Costs" consist of all operation and maintenance expenses, other than fuel or financing costs, incurred by Entergy in respect of White Bluff.

The Participants are also to pay to Entergy in each year their respective proportionate shares of additional amounts representing otherwise unrecovered administrative expenses of Entergy.

Fuel. Entergy shall furnish, or cause to be furnished, the fuel supply for White Bluff. Participants shall advance to Entergy their respective ownership shares percentage of the cost of coal in inventory and pay an additional amount, based on a formula, per kWh for all kWh generated (or assumed to be generated for billing purposes) for the Participant's account.

Cost of Construction. Each Participant is responsible, on a monthly basis, for its proportionate share of the cost of additions, repairs, replacements and retirements incurred during the previous month.

Energy. Entergy and each Participant shall be entitled to its proportionate share of the net generating capacity and energy of White Bluff at any given time. Entergy shall have sole authority for the hourly scheduling and dispatching of White Bluff generation in accordance with Entergy standard scheduling and dispatching procedures.

Termination. The Operating Agreement shall terminate when White Bluff is retired from commercial operation, or such date as may mutually be agreed upon by the parties. White Bluff is scheduled to cease the combustion of coal by no later than December 31, 2028.

Non-Payment. In the event that any Participant at any time fails to make any payment when due to Entergy under the Operating Agreement, Entergy shall have right to give written notice of such failure to such Participant and in the event such failure continues for a period of 30 days after the giving of such notice, to withhold and use, without charge as if it were its own, such Participant's proportionate share of the capacity and energy from White Bluff until such payment has been made but with appropriate credit being given to such Participant in respect of its ownership of White Bluff for use of such capacity and energy. If such credit exceeds the payment due Entergy, Entergy will pay such Participant monthly for the difference thereof. If such overdue payments due Entergy exceed such credits, Entergy shall have a right to receive interest on the difference thereof during the period such payment was due. Such Participant shall also indemnify and hold Entergy and the other Participants harmless from and against any and all losses, costs, damages and expenses arising out of or resulting from such Participant's failure to make such overdue payments when due.

Insurance. Entergy shall maintain insurance in such amount and with such deductibles or self-insurance features as is consistent with Entergy's customary practices. Entergy may self-insure such risks as is consistent with its customary practices.

ISES Operating Agreement. Operation; Payment of Operating Costs. Entergy has sole authority to manage, control, maintain and operate ISES. Entergy and the Participants shall discharge all obligations under the Operating Agreement in a prudent manner and in accordance with good utility practices.

Entergy and each Participant shall be responsible for a proportionate share of Operating Costs equal to its respective ownership share. The Participants are to pay Entergy for all kWh generated at ISES for their respective accounts (or assumed to be generated at ISES for billing purposes) on the basis of actual fuel costs at ISES and the heat rate (assuming operation at 60% loading during summer test conditions) of its units.

"Operating Costs" consist of all operation and maintenance expenses, other than fuel or financing costs, incurred by Entergy in respect of ISES.

The Participants are also to pay to Entergy in each year their respective proportionate shares of additional amounts representing otherwise unrecovered administrative expenses of Entergy.

Fuel. Entergy shall furnish, or cause to be furnished, the fuel supply for ISES. Participants shall advance to Entergy their respective ownership shares percentage of the cost of coal in inventory and pay an additional amount, based on a formula, per kWh for all kWh generated (or assumed to be generated for billing purposes) for the Participant's account.

Cost of Construction. Each Participant is responsible, on a monthly basis, for its proportionate share of the cost of additions, repairs, replacements and retirements incurred during the previous month.

Energy. Entergy and each Participant shall be entitled to its proportionate share of the net generating capacity and energy of ISES at any given time. Entergy shall have sole authority for the hourly scheduling and dispatching of ISES generation in accordance with Entergy standard scheduling and dispatching procedures.

Termination. The Operating Agreement shall terminate when ISES is retired from commercial operation, or such date as may mutually be agreed upon by the parties. ISES is scheduled to cease the combustion of coal by no later than December 31, 2030.

Non-Payment. In the event that any Participant at any time fails to make any payment when due to Entergy under the Operating Agreement, Entergy shall have right to give written notice of such failure to such Participant and in the event such failure continues for a period of 30 days after the giving of such notice, to withhold and use, without charge as if it were its own, such Participant's proportionate share of the capacity and energy from ISES until such payment has been made but with appropriate credit being given to such Participant in respect of its ownership of ISES for use of such capacity and energy. If such credit exceeds the payment due Entergy, Entergy will pay such Participant monthly for the difference thereof. If such overdue payments due Entergy exceed such credits, Entergy shall have a right to receive interest on the difference thereof during the period such payment was due. Such Participant shall also indemnify and hold Entergy and the other Participants harmless from and against any and all losses, costs, damages and expenses arising out of or resulting from such Participant's failure to make such overdue payments when due.

Insurance. Entergy shall maintain insurance in such amount and with such deductibles or self-insurance features as is consistent with Entergy's customary practices. Entergy may self-insure such risks as is consistent with its customary practices.

CCGP Operating Agreement. Prior to completion of the CCGP, AECC and the other co-owners will negotiate and finalize the operating and marketing agreement for the CCGP, which is expected to appoint AECC as operator and marketing agent with the terms and conditions substantially similar to those contained in the Operating Agreement for ISES as discussed herein. Exceptions will be to account for the different fuel source (natural gas vs. coal) and such other terms and conditions as may be agreed upon by all parties.

Payment Obligations. The obligations of the City under the Ownership Agreements and the Operating Agreements are payable solely from revenues from its electric system or proceeds of financings. However, the failure to pay due to insufficiency of revenues or financing proceeds does not excuse such non-payment. The City has agreed to fix and maintain electric rates at levels sufficient to enable it to carry out its financial obligations under such agreements.

MARKETING AGREEMENT

The City entered into a Marketing Agreement with Entergy as of August 1, 2012 (the "Marketing Agreement"). Under the terms of the Marketing Agreement, Entergy is to be the Market Participant in the MISO market for White Bluff and ISES. As a Market Participant, Entergy may submit bids to purchase energy, submit offers to supply energy and operating reserves and conduct other market-related activities.

NETWORK OPERATING AGREEMENT AND NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT

The City has entered into a Network Operating Agreement and Network Integration Transmission Service Agreement with MISO. The purpose of these agreements is to provide to the City access, as a firm service, to the transmission system of certain corporations which serve electric customers (the "Transmission Providers") in a manner that allows the City to integrate, dispatch and regulate its current and planned electric energy resources in order to serve its network load where all or any part of that network load is directly connected to the system of the Transmission Providers.

THE CITY AND THE COUNTY

Location. The City is located in Crittenden County (the "County") in eastern Arkansas. The City is located approximately 128 miles east of Little Rock, Arkansas and is just west of Memphis, Tennessee.

Population. Resident population in the City and the County has been as follows:

<u>Year</u>	<u>City</u>	<u>County</u>
1980	28,138	49,499
1990	28,259	49,939
2000	27,666	50,866
2010	26,245	50,902
2020	24,520	48,163
2024*	23,538	46,633

Transportation. The City is served by U.S. Highway No. 70 and Interstates 40 and 55. Several motor freight carriers make shipments from the City to major cities across the United States.

Government. The government of the City operates under the mayor-city council form of government. The current Mayor and members of the City Council, their occupations, and their term expiration dates are as follows:**

<u>Name</u>	<u>Occupation</u>	<u>Term Expires</u>
Marco McClendon	Mayor	December 31, 2026
Gheric Bruce	Education	December 31, 2026
Helen Harris	Director, Helens Residential Care	December 31, 2026
Lorraine Mohammed	Administrative Assistant	December 31, 2026
James Holt, Sr.	Retired	December 31, 2026
Tracy Catt	Guaranty Loan and Real Estate	December 31, 2028
Willis Mondy	Semi-Retired General Contractor	December 31, 2028
Wayne Croom	Retired	December 31, 2028
David Murray	Retired	December 31, 2028
Melanie Hutchinson	Professor, Southwest Tennessee Community College	December 31, 2028

Medical Facilities. The City is served by Baptist Memorial Hospital - Crittenden, with approximately 11 licensed beds.

Financial Institutions. The City is served by branches of Evolve Bank & Trust, Fidelity Bank, Premier Bank of Arkansas, Regions Bank and Truist Bank.

Education. Primary and secondary education for the City's inhabitants are provided by a public school system. Arkansas State University Mid-South is located in the City. Rhodes College, University of Memphis and Christian Brothers College are each located in nearby Memphis, Tennessee.

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* Estimate as of July 1.

** There is one vacancy on the City Council. A special election will be held on November 18, 2025 to fill this vacancy.

Economy. Set forth below are the characteristics of the major employers in the City:

<u>Employer</u>	<u>Service or Product</u>	<u>Number of Employees</u>
Southland Casino	Entertainment	1,645
Schneider National Carriers	Logistics	1,100
West Memphis School District	Education	800
Dollar Tree/Family Dollar Warehouse	Distribution	500
City of West Memphis	Government	450
Robert Bosch Power Tool	Retail Merchandise Distribution Center	300
ASU Mid-South	Education	250
Awesome Products	Household Cleaners	250
Carvana	Distribution	215
Federal Express Ground	Logistics	200
State Side Steel	Chain Fence Manufacturer	150
Coca Cola Consolidated	Beverage Manufacturer	150
Langston Bag Company	Paper Bag Manufacturer	135
Sediver	Glass Insulators	75
West Memphis Steel	Steel Coil Processing	70

A Google Data Center is currently under construction in the south part of the City. The total investment in the facility is approximately 10 billion dollars. It is the largest single private investment in the State. There will be approximately 100 full-time tech positions at the site and thousands of construction jobs through 2029 when construction is scheduled to be completed. The System will provide 20 MW of electric service, water and sewer service, and will provide effluent water for cooling of servers. As part of the Community Development Agreement, Google will make an annual payment to the City that can go directly to the general fund.

Litigation. There is no material litigation or administrative proceeding pending or threatened against the City except as described below.

Crittenden County, Arkansas v. City of West Memphis, Arkansas and Crittenden County, Arkansas Board of Election Commissioners, Case No. 18CV-22-757, in the Circuit Court of Crittenden County, Arkansas, Civil Division. This claim is for a declaratory judgment. The City is represented by the Arkansas Municipal Legal Defense Fund. This matter does not involve any federal funding or federal programs. The County alleges it is entitled to ten million dollars from a tax collected by the City. The City has collected almost three million dollars which is held in a restricted account. An evaluation of the likelihood of an unfavorable outcome cannot presently be made. Revenues will not be used by the City to satisfy any unfavorable outcome.

County Economic Data. Per capita personal income estimates for the County are as follows⁽¹⁾:

<u>Year</u>	<u>Per Capita Personal Income</u>
2019	\$37,957
2020	41,824
2021	45,472
2022	46,207
2023	47,271

⁽¹⁾ Source: Bureau of Economic Analysis, United States Department of Commerce.

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

<u>Year</u>	<u>Total Personal Income</u>
2019	\$1,843,241,000
2020	2,010,731,000
2021	2,157,081,000
2022	2,174,091,000
2023	2,228,302,000

Set forth below are the annual average unemployment rates for the City, the County and the State since 2020 according to the Arkansas Department of Workforce Services:

<u>Year</u>	<u>City</u>	<u>Annual Average Unemployment Rate (%)</u>		<u>State</u>
		<u>County</u>		
2020	10.6	8.5		6.2
2021	6.8	5.5		4.0
2022	4.7	3.9		3.2
2023	4.8	4.2		3.3
2024	5.3	4.4		3.5
2025*	7.7	6.1		4.3

*Preliminary as of July 2025

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⁽¹⁾ Source: Bureau of Economic Analysis, United States Department of Commerce.

FINANCIAL INFORMATION

Set forth in Appendix A to this Official Statement are the audited financial statements of the System for the fiscal year ended December 31, 2024. These financial statements were prepared in accordance with accounting principles generally accepted in the United State and were audited in accordance with auditing standards generally accepted in the United States. These financial statements should be read in their entirety, together with any notes and supplemental information affixed thereto.

The following table has been developed from the System's financial statements for the fiscal years ended December 31, 2020 through 2024:

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
OPERATING REVENUES					
Charges for Services					
Electric	\$29,361,910	\$30,348,810	\$38,611,367	\$29,661,136	\$23,349,967
Water	3,256,328	2,379,410	2,126,207	1,795,959	1,351,057
Sewer	3,392,178	2,610,711	2,252,458	1,826,509	1,396,713
Other	<u>7,645,628⁽¹⁾</u>	<u>583,857</u>	<u>495,866</u>	<u>857,695</u>	<u>220,873</u>
	<u>\$43,656,044</u>	<u>\$35,922,788</u>	<u>\$43,485,898</u>	<u>\$34,141,299</u>	<u>\$26,318,610</u>
OPERATING EXPENSES					
Purchase power for resale	\$11,379,447	\$12,823,978	\$20,521,124	\$14,906,674	\$9,297,427
Transmission charges	3,953,790	3,317,186	4,643,538	3,346,234	2,834,039
General and administrative	8,389,517	8,061,445	7,722,765	7,263,014	7,195,413
Maintenance, operations and contracted services	5,065,794	5,746,493	4,655,293	4,210,250	4,108,172
Payment in lieu of taxes	1,796,844	1,699,118	1,942,495	1,552,348	1,293,820
Depreciation	<u>3,919,897</u>	<u>3,084,786</u>	<u>2,804,521</u>	<u>2,682,699</u>	<u>2,559,609</u>
	<u>\$34,505,289</u>	<u>\$34,733,006</u>	<u>\$42,289,736</u>	<u>\$33,961,219</u>	<u>\$27,288,480</u>
OPERATING INCOME (LOSS)⁽¹⁾	\$ 9,150,755	\$ 1,189,782	\$ 1,196,162	\$ 180,080	\$ (969,870)
NON-OPERATING REVENUE	<u>601,341</u>	<u>757,179</u>	<u>(538,531)</u>	<u>(77,842)</u>	<u>126,219</u>
NET INCOME⁽¹⁾	\$ 9,752,096	\$1,946,961	\$657,631	\$102,238	\$(843,651)

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⁽¹⁾ Includes \$7,126,919 of grant revenues received by the System.

DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Series 2025 Bonds:

Year (Ending December 31)	Series 2025 Bond <u>Principal*</u>	Series 2025 Bond <u>Interest</u>	Total <u>Debt Service</u>
2026	\$ 295,000		
2027	330,000		
2028	345,000		
2029	365,000		
2030	385,000		
2031	400,000		
2032	420,000		
2033	445,000		
2034	465,000		
2035	490,000		
2036	515,000		
2037	540,000		
2038	565,000		
2039	595,000		
2040	625,000		
2041	655,000		
2042	685,000		
2043	715,000		
2044	745,000		
2045	775,000		
2046	810,000		
2047	850,000		
2048	885,000		
2049	925,000		
2050	970,000		
2051	1,010,000		
2052	1,060,000		
2053	1,105,000		
2054	1,160,000		
2055	1,210,000		
TOTALS	\$20,340,000		

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* Preliminary; subject to change.

Set forth below are the debt service requirements for the Series 2025 Bonds and the Parity Bonds:

<u>Year</u> <u>(Ending December 31)</u>	<u>Series 2025 Bonds</u> <u>Debt Service</u>	<u>Parity Bonds</u> <u>Debt Service</u>	<u>Total</u> <u>Debt Service</u>
2026		\$2,378,100.00	
2027		2,377,450.00	
2028		2,380,100.00	
2029		2,375,800.00	
2030		2,377,450.00	
2031		2,377,600.00	
2032		2,381,250.00	
2033		2,378,150.00	
2034		2,378,550.00	
2035		2,377,200.00	
2036		2,378,200.00	
2037		2,377,700.00	
2038		2,380,700.00	
2039		2,382,000.00	
2040		2,381,600.00	
2041		2,374,500.00	
2042		2,380,900.00	
2043		2,375,925.00	
2044		2,374,525.00	
2045		2,376,575.00	
2046		2,375,362.50	
2047		2,382,337.50	
2048		2,375,556.26	
2049		2,376,925.00	
2050		2,376,100.00	
2051		2,378,081.26	
2052		917,737.50	
2053		918,312.50	
2054		917,400.00	
2055		--	
TOTALS		\$64,582,087.52	

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DEBT SERVICE COVERAGE

The following table shows the funds available for debt service, the amount of maximum annual debt service for the Series 2025 Bonds and the Parity Bonds, and the extent to which debt service is covered by such funds:

Revenues Available for Debt Service (A) ⁽¹⁾	\$7,740,577
Maximum Annual Debt Service Requirements on the Series 2025 Bonds and the Parity Bonds (B) ⁽²⁾	3,652,144
Debt Service Coverage (A/B)	2.12x

⁽¹⁾ Gross Revenues (excluding grant revenues of \$7,126,919 received by the System) less Operation and Maintenance Expenses based on audited financial statements of the System for the fiscal year ended December 31, 2024. Operation and Maintenance Expenses are defined as all reasonable and necessary costs and expenses incurred in the operation and maintenance of the System which are properly accounted for such purposes under generally accepted accounting principles (excluding depreciation, interest and amortization of deferred bond discount expenses and payments, if any, in lieu of taxes).

⁽²⁾ Using a year ending December 31. Assuming an average coupon rate of 4.61% on the Series 2025 Bonds.

BOND INSURANCE

Bond Insurance Policy. Concurrently with the issuance of the Series 2025 Bonds, BAM will issue the Insurance Policy. The Insurance Policy guarantees the scheduled payment of principal of and interest on the Series 2025 Bonds when due as set forth in the form of the Insurance Policy included as an appendix to this Official Statement.

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

Build America Mutual Assurance Company. BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). No member of BAM is liable for the obligations of BAM.

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

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

BAM's financial strength is rated "AA/Stable" by S&P. An explanation of the significance of the rating and current reports may be obtained from S&P at www.spglobal.com/en/. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2025 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2025 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the City on the date(s) when such amounts were initially scheduled to

become due and payable (subject to and in accordance with the terms of the Insurance Policy), and BAM does not guarantee the market price or liquidity of the Series 2025 Bonds, nor does it guarantee that the rating on the Series 2025 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$517.2 million, \$273.6 million and \$243.6 million, respectively.

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

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

BAM makes no representation regarding the Series 2025 Bonds or the advisability of investing in the Series 2025 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

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

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

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

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2025 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2025 Bonds, whether at the initial offering or otherwise.

THE INDENTURE

The following, in addition to information contained above under **THE SERIES 2025 BONDS** and **SECURITY FOR THE SERIES 2025 BONDS** summarizes certain provisions of the Indenture from the City to the Trustee, to which document in its entirety reference is made for the detailed provisions thereof.

Rights of Insurer. Various rights of the City and owners of the Series 2025 Bonds are subject to rights and powers granted to the Insurer pursuant to the Indenture.

Rate Covenant. (a) The City covenants that it will fix, charge and collect rates, fees and charges for services furnished by the System which shall produce total Revenues in each fiscal year sufficient to (1) pay the Operation and Maintenance Expenses, (2) make all required deposits to the Debt Service Reserve Fund and any other required debt service reserve funds and the Depreciation Fund, (3) pay any amounts owed in connection with the Reserve Policy or other debt service reserve fund insurance policies and (4) leave a balance equal to 110% of the maximum annual debt service requirement for all outstanding Bonds, Parity Bonds and Other Parity Bonds.

(b) The City covenants that it will revise the rates, fees and charges from time to time as necessary to comply with its covenant described in (a).

(c) If the City should fail to comply with its rate covenant, it must undertake a study of the rate revisions necessary to again be in compliance. The study must be completed and filed with the Trustee not later than the 15th day of the sixth month of the following fiscal year. Revised rates are to be put into effect not later than the 15th day of the sixth month of the fiscal year following the fiscal year in which the study is made. The City will not be in default for the year in which the rate study is made and the then next year provided that total Revenues are sufficient to make the payments and deposits required and leave a balance equal to 100% of debt service in those years for all outstanding Bonds, Parity Bonds and Other Parity Bonds.

"Operation and Maintenance Expenses" are defined as all reasonable and necessary costs and expenses incurred in the operation and maintenance of the System which are properly accounted for such purposes under generally accepted accounting principles (excluding depreciation, interest and amortization of deferred bond discount expenses and payments, if any, in lieu of taxes).

Revenue Fund. All Revenues shall be paid upon receipt into a special fund designated "Revenue Fund."

Operation and Maintenance Fund. (a) The City has heretofore created a special fund designated "Operation and Maintenance Fund" for the purpose of paying Operation and Maintenance Expenses.

(b) There shall be paid from the Revenue Fund into the Operation and Maintenance Fund, on the first business day of each month while any of the Bonds shall be outstanding, an amount sufficient to pay the Operation and Maintenance Expenses for such month and from which disbursements shall be made only for those purposes. Fixed annual charges such as insurance premiums and the cost of major repair and maintenance expenses may be computed and set up on an annual basis, and 1/12 of the amount thereof may be paid into the Operation and Maintenance Fund each month.

(c) If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid into the Operation and Maintenance Fund in the

next succeeding month. If in any Fiscal Year a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to defray the Operation and Maintenance Expenses during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred into the Revenue Fund.

Bond Fund. (a) Pursuant to the Indenture, there is created a special fund to be designated "2025 Indenture Bond Fund" (the "Bond Fund") for the purpose of paying debt service on all Bonds.

(b) After making the required deposit into the Operation and Maintenance Fund, there shall be paid from the Revenue Fund into the Bond Fund, simultaneously with any deposit made to pay debt service on the Parity Bonds and any Other Parity Bonds, an amount equal to the sum of:

(1) one-sixth (1/6) of the next installment of interest on the outstanding Bonds (the required payments for the months after delivery, and before the first interest payment date, of any series of Bonds to be adjusted if necessary, so that the deposits made will be sufficient to cover the interest due); plus

(2) one-twelfth (1/12) of the installment of principal due on the outstanding Bonds during the then next twelve months (whether at maturity or upon mandatory redemption prior to maturity); provided, however, the monthly deposits under this paragraph for the months after delivery, and before the first principal payment date, of any series of Bonds shall be adjusted if necessary so that the deposits made will be sufficient to cover the principal due. The additional deposits required in the event of the issuance of Additional Bonds need not commence until the time necessary to accumulate the first principal maturity of the Additional Bonds in twelve monthly installments.

With respect to Bonds the interest on or principal of which is payable more frequently than semiannually or annually, respectively, monthly deposits shall be in equal amounts sufficient to assure that amounts due for such interest or principal shall be deposited in the Bond Fund on or before the dates on which such payments are due.

(c) The City shall receive a credit against required monthly deposits into the Bond Fund for any moneys placed into the Bond Fund other than pursuant to the obligations described in paragraph (b).

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

(e) When the moneys in the Bond Fund, together with moneys in the Debt Service Reserve Fund, shall be and remain sufficient to pay the principal of and interest on all outstanding Bonds when due at maturity or at redemption prior to maturity, there shall be no obligation to make any further payments into the Bond Fund.

(f) The moneys in the Bond Fund shall be used solely for the payment of the principal of and interest on the Bonds and for no other purpose except as specifically authorized.

Debt Service Reserve Fund. (a) Pursuant to the Indenture, there is created a special fund to be designated "2025 Indenture Debt Service Reserve Fund" (the "Debt Service Reserve Fund") for the purpose of providing a reserve for payment of principal of and interest on one or more issue of Bonds. The Debt Service Reserve Fund shall be comprised of accounts, each of which shall be identified by the Trustee and shall be dedicated to the security of no more than one issue of Bonds. The required level of each Debt Service Reserve Fund account shall be established and fixed for each issue of Bonds; however, a Debt Service Reserve Fund account is not required to be established for each issue of Bonds.

(b) There shall be deposited into the 2025 Account of the Debt Service Reserve Fund the Reserve Policy issued by the Insurer, which shall be in an amount equal to the Debt Service Reserve Requirement. See **SECURITY FOR THE SERIES 2025 BONDS**.

(c) No account in the Debt Service Reserve Fund shall secure the Parity Bonds, any Other Parity Bonds or Subordinate Obligations and each account established in the Debt Service Fund shall only secure the issue of Bonds for which such account was established.

(d) Moneys held for the credit of an account in the Debt Service Reserve Fund shall be used for payment of principal of and interest on the Bonds for which created and for which Bond Fund moneys are not available and for no other purpose except as specifically permitted.

Subordinate Bond Funds. After making the deposits referred to above, there shall be deposited into the bond fund for any Subordinate Obligations (the "Subordinate Bond Funds") the required amounts.

Parity Bonds and Other Parity Bonds Payments. If there are insufficient moneys in the Revenue Fund to make the monthly payments into the Bond Fund and the Debt Service Reserve Fund and make monthly installments with respect to outstanding Parity Bonds and Other Parity Bonds (and any debt service reserves therefor), the City shall make payments from the Revenue Fund with respect to the Bonds, outstanding Parity Bonds, and outstanding Other Parity Bonds pro rata based upon the outstanding principal amount of the Bonds, the Parity Bonds and the Other Parity Bonds. The City shall make payments as due with respect to the Parity Bonds and any Other Parity Bonds issued in the future prior to making any payments into the Depreciation Fund.

Depreciation Fund. The City has heretofore created a special fund designated "Depreciation Fund." After making the deposits referred to above, there shall be deposited in the Depreciation Fund, on the first business day of each month, a sum equal to 3% of the Revenues for the preceding month. Payments into the Depreciation Fund shall be made after and subordinate to the required monthly deposits from the Revenue Fund into the Operation and Maintenance Fund, the Bond Fund, the bond funds for the Parity Bonds, the bond funds for Other Parity Bonds, the Debt Service Reserve Fund, the debt service reserve fund for the Parity Bonds, the debt service reserve funds for Other Parity Bonds and the Subordinate Bond Funds. Moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of replacements made necessary by the depreciation of the properties of the System or for the cost of economically justifiable improvements and extensions to the properties of the System. Any amount in the Depreciation Fund in excess of the amount needed for such purposes during the then current and the next fiscal year may be transferred to the Revenue Fund.

Revenue Fund Surplus. Any surplus remaining in the Revenue Fund, after making all payments into the above funds, may be used for any lawful purpose. Any payments in lieu of taxes shall be made from such surplus and only after the payments into the above funds have been made.

Depositories of Funds. The Bond Fund, the Debt Service Reserve Fund and the Construction Fund shall be established with and maintained by the Trustee. The Revenue Fund, the Operation and Maintenance Fund and the Depreciation Fund shall be established in such banks or trust companies as are from time to time designated by the City, provided each must be a member of the Federal Deposit Insurance Corporation ("FDIC").

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

fund or funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond.

Any moneys so held for a period of 2 1/2 years shall become the property of the City and shall be paid over to the City, free of any rights of the holder of such Bond.

The Trustee. The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty of the Trustee and the Trustee shall be answerable only for its own negligence or willful default.

The Trustee shall not be required to take notice or be deemed to have notice of any default except failure by the City to make or cause to be made any of the payments to be made to the Trustee unless the Trustee shall be specifically notified in writing of such default by the City or by the holders of at least ten percent (10%) in aggregate principal amount of Bonds outstanding under the Indenture (of all series but not necessarily of each series), and all notices or other instruments required by the Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the office of the Trustee, and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no default except as aforesaid.

The Trustee and any successor trustee may at any time resign by giving written notice to the City and the Insurer. Such resignation shall take effect upon the appointment of a successor trustee by the City.

The Trustee may be removed at any time by the City, by the Insurer or by any instrument or concurrent instruments in writing delivered to the Trustee and to the City and signed by the owners of a majority in aggregate principal amount of Bonds outstanding.

In case the Trustee shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or 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 shall be designated by the City. Notwithstanding the above, neither the removal of the Trustee nor the resignation by the Trustee shall be effective until a successor Trustee, acceptable to the Insurer, shall have been appointed.

Investment of Funds. Moneys held for the credit of any fund or account may be invested and reinvested (by the City or, in the case of the Bond Fund, the Debt Service Reserve Fund and the Construction Fund, at the direction of the City), in Permitted Investments which will mature, or which will be subject to redemption by the holder thereof at the option of the holder, (a) in the case of the Debt Service Reserve Fund, not later than ten (10) years or (b) in the case of any other fund or account, not later than the date or dates on which the money held for the credit of the particular fund shall be required for the purposes intended.

"Permitted Investments" are defined to mean:

(a) direct or fully guaranteed obligations of the United States of America ("Government Securities");

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

(c) demand deposits or certificates of deposit of banks, including the Trustee, which are insured by the FDIC, or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by State law to secure public funds; and

(d) money market funds comprised exclusively of investments described in (a) or (b) above.

Each investment shall be deemed at all times to be part of the fund for which the investment was made and any profit and income realized from such investments shall be credited to the fund and any loss charged to the fund.

Supplemental Indentures. The City and the Trustee may without the approval of any bondholder, enter into indentures supplemental to the Indenture (a) to cure any ambiguity, defect or omission in the Indenture or any supplement thereto, (b) to confer additional rights, remedies, powers and authority upon the Trustee for the benefit of the holders of the Bonds, (c) in connection with the issuance of Additional Bonds pursuant to the provisions of the Indenture, or (d) to make any modification determined by the Trustee, in its discretion, not to be to the material prejudice of the holders of the Bonds. The consent of the Insurer shall be required for supplemental indentures entered into for the purposes contained in (d) above. No consent of the Insurer shall be required for supplemental indentures entered into for the purpose contained in (a), (b), or (c) above.

All other modifications and changes to the Indenture require the consent of the Insurer and the holders of not less than two-thirds (2/3) of the principal amount of the outstanding Bonds; provided, however, that no supplemental indenture shall permit, or be construed as permitting, (i) an extension of the maturity of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, (iii) a privilege or priority of any Bond or Bonds over any other bond or Bonds, (iv) the creation of a lien upon the System or a pledge of Revenues except as permitted by the Indenture, or (v) a reduction in the aggregate principal amount of the Bonds required for consent to a supplement to the Indenture.

Events of Default. Under the Indenture, an event of default shall mean any one or more of the following events:

- (a) Default in the due and punctual payment of any interest on any Bond, Parity Bond or Other Parity Bond;
- (b) Default in the due and punctual payment of any moneys required to be paid to the Trustee for deposit into the Bond Fund;
- (c) Default in the due and punctual payment of the principal of, and premium, if any, on any Bond, Parity Bond or Other Parity Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;
- (d) Default in the performance or observance of any other of the covenants, agreements or conditions on the City's part in the Indenture, or in the Bonds, in the Parity Bonds or in Other Parity Bonds or in any document securing any Parity Bonds or Other Parity Bonds contained, and the continuance thereof for a period of sixty (60) days after written notice to the City by the Trustee or by the holders of not less than ten percent (10%) in aggregate principal amount of Bonds outstanding; and
- (e) Any other "event of default" as defined in any Parity Bond or any Other Parity Bond or a document securing any Parity Bond or any Other Parity Bond.

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

(b) *Acceleration.* Upon the occurrence of an event of default, the Trustee may, and upon the written request of the holders of twenty-five percent (25%) in aggregate principal amount of Bonds outstanding under the Indenture (regardless of series), shall, by notice in writing delivered to the City, declare the principal of all Bonds then outstanding under the Indenture and the interest accrued thereon

immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

(c) *Right of Entry.* Upon the occurrence of any event of default, the Trustee may, and upon the written request of (1) the Insurer or (2) with the consent of the Insurer, the holders of twenty-five percent (25%) in aggregate principal amount of Bonds outstanding under the Indenture shall, demand of the City to surrender, and the City shall forthwith surrender to it the actual possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of, all or any part of the System with the books, papers and accounts of the City pertaining thereto and to hold, operate and manage the same, and from time to time to make all needful repairs and improvements as by the Trustee shall be deemed wise. The Trustee, with or without such permission, may collect, receive and sequester the revenues, earnings, income, products and profits therefrom and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee under the Indenture, and all taxes, assessments and other charges prior to the lien of the Indenture, and all expenses of such repairs and improvements, and apply the remainder of the money so received by the Trustee in accordance with the applicable provisions of the Indenture. Whenever principal of and interest on the Bonds shall have been paid and all other amounts owed under the Indenture shall have been paid and no event of default is continuing, the Trustee shall surrender possession to the City, its successors or assigns; the same right of entry, however, to exist upon any subsequent event of default.

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

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

If an event of default shall have occurred, and if it shall have been requested so to do by the holders of ten percent (10%) in aggregate principal amount of Bonds outstanding under the Indenture and shall have been indemnified as provided in the Indenture, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred upon it by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interest of the bondholders.

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

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

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

(e) *Bondholders May Direct Proceedings.* (i) The holders of a majority in aggregate principal amount of Bonds outstanding under the Indenture shall have the right, at any time, by any instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the

Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

(ii) Notwithstanding anything set forth in the Indenture, the holder or holders of all outstanding Parity Bonds and Other Parity Bonds may institute any action or exercise any remedy available at law or in equity to enforce the terms of the Bonds or the Indenture, provided that any such action or remedy shall be instituted and maintained for the benefit of the holders of all Bonds, without distinction or priority.

(f) *Receiver.* Upon the occurrence of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the bondholders under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and of the Revenues pending such proceedings with such powers as the court making such appointment shall confer.

(g) *Application of Moneys.* (i) Subject to the provisions of subsection (ii), below, available moneys shall be applied by the Trustee as follows:

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

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

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

Third: to the payment of the interest on and the principal of the Bonds, and to the redemption of Bonds, all in accordance with the provisions of the Indenture.

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

(3) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture, then, subject to the provisions of paragraph (2) above in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (1) above.

(ii) Notwithstanding anything set forth in the Indenture, any proceedings under *Application of Moneys* shall be for the benefit of the holders of the Bonds, the Parity Bonds and any outstanding Other Parity Bonds, without distinction or priority.

(h) *Limitation of Bondholder Rights.* Subject to the provisions of (e)(ii) above, no holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy under the Indenture, unless a default has occurred of which the Trustee has been notified as provided in the Indenture or of which it is deemed to have notice, nor unless such default shall have become an event of default and the holders of ten percent (10%) in aggregate principal amount of Bonds outstanding under the Indenture shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in the Indenture nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy.

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

Maintenance and Repair. The City covenants that it will at all times cause the System to be maintained, preserved and kept in good condition, repair and working order, and that it will from time to time cause to be made all needed repairs, replacements, additional, betterments and improvements so that the operation and business pertaining to the System shall be fully maintained.

Books and Records. The City covenants that so long as any Bonds shall be outstanding, it will keep, or cause to be kept, proper books of record and account, in which full, true and correct entries will be made of all dealings or transactions of and in relation to the System and Revenues. The City agrees to have the books of record and account audited by an independent certified public accountant at the end of each fiscal year and to furnish a copy of the audit report to the Trustee within 180 days after the end of the fiscal year; provided, however, that if such audit is not available by such date, the City will furnish the audit to the Trustee within 60 days after receipt thereof.

The City further covenants that all books and documents pertaining to the System and the Revenues shall at all times be open to the inspection of such accountants or agents as the Trustee may from time to time designate.

Disposition and Encumbrance of System. The City covenants that it will not sell or otherwise dispose of the System and that it will not encumber the same or any part thereof, or its interest therein or create or permit to be created any charge or lien on its Revenues and income except as may be expressly authorized in the Indenture; provided, however, the City may, from time to time, sell, exchange or otherwise dispose of any properties or release, relinquish or extinguish any interest therein which is not needed or serves no useful purpose in connection with the maintenance and efficient operation of

the System, and the proceeds thereof shall be applied to the replacement of the properties so sold or disposed of, if replacement is necessary or desirable, or shall be transferred to the Revenue Fund, as the City may determine.

Insurance. The City covenants that at all times while any Bonds are outstanding, it will at all times insure and keep insured to the full insurable value thereof in a responsible insurance company or companies authorized and qualified under the laws of the State to assume the risk thereof all insurable improvements on and constituting part of the System, at any time and from time to time, by fire and extended coverage insurance. The insurance policies are to carry a clause making them payable to the Trustee as its interest may appear, and are either to be placed in the custody of the Trustee or satisfactory evidence of said insurance shall be filed with the Trustee.

Discharge of Lien. The Bonds of any series shall be deemed to have been paid for purposes of the Indenture if (a) there has been deposited with the Trustee in trust either moneys in an amount, or Government Securities the principal of and interest on which will, together with any moneys held by the Trustee at the same time and available for such purpose pursuant to the Indenture, without further investment or reinvestment of either the principal amounts thereof or the interest earnings thereon, provide amounts which will be sufficient to pay when due the principal, interest, and premium, if any, to become due and payable on or prior to the respective redemption dates or maturity dates of such Bonds, and (b) in case any of such Bonds are to be redeemed on any date prior to their maturity, notice of such redemption shall have been duly given or arrangements satisfactory to the Trustee shall have been made for the giving of such notice.

FEDERAL TAX MATTERS

In the opinion of Ice Miller LLP, Indianapolis, Indiana, Special Tax Counsel ("Special Tax Counsel"), under existing federal statutes, regulations and rulings, interest on the Series 2025 Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2025 Bonds may be taken into account for the purposes of computing the alternative minimum tax imposed on certain corporations. This opinion relates only to the exclusion from gross income of interest on the Series 2025 Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the City with the Tax Covenants (as herein defined). Failure to comply with the Tax Covenants could cause interest on the Series 2025 Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. The form of opinion of Special Tax Counsel is attached hereto as Appendix B.

The Code imposes certain requirements that must be met subsequent to the issuance of the Series 2025 Bonds as a condition to the exclusion from gross income of interest on the Series 2025 Bonds for federal income tax purposes. The City will covenant not to take any action within its power and control, nor fail to take any action within its power and control, with respect to the Series 2025 Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series 2025 Bonds pursuant to Section 103 of the Code (collectively, the "Tax Covenants"). The Indenture and certain certificates and agreements to be delivered on the date of delivery of the Series 2025 Bonds establish procedures under which compliance with the requirements of the Code can be met.

Although Special Tax Counsel has rendered the opinion on federal tax matters above, the accrual or receipt of interest on the Series 2025 Bonds may otherwise affect a bondholder's federal income tax liability with respect to the Series 2025 Bonds. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and a bondholder's other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Series 2025 Bonds. Special Tax Counsel expresses no opinion regarding any other tax consequences. Prospective

purchasers of the Series 2025 Bonds should consult their own tax advisors with regard to the other tax consequences of owning the Series 2025 Bonds.

Original Issue Premium Bonds. The initial offering prices of the Series 2025 Bonds maturing on _____ (the "Premium Bonds") are greater than the principal amount payable at maturity or any call date. As a result, the Premium Bonds will be considered to be issued with an amortizable bond premium (the "Bond Premium"). An owner who acquires a Premium Bond in the initial public offering of the Series 2025 Bonds will be required to adjust the owner's basis in the Premium Bond downward as a result of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Premium Bonds, including sale, redemption or payment at maturity. The amount of amortizable Bond Premium will be computed on the basis of the taxpayer's yield to maturity with compounding at the end of each accrual period. Rules for determining (i) yield, (ii) the amount of amortizable Bond Premium and (iii) the amount amortizable in a particular year are set forth in Section 171(b) of the Code and the related regulations. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning Premium Bonds. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of such Premium Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Special rules governing the treatment of Bond Premium, which are applicable to dealers in tax-exempt securities, are found in Section 75 of the Code. Dealers in tax-exempt securities are urged to consult their tax advisors concerning treatment of Bond Premium.

Original Issue Discount Bonds. The initial offering prices of the Series 2025 Bonds maturing on _____ (the "Discount Bonds") are less than the principal amount payable at maturity or any call date. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Bonds, as set forth on the inside cover page of this Official Statement (assuming it is the first price at which a substantial amount of that maturity is sold) (the "Issue Price for such maturity"), and the amount payable at maturity for the Discount Bonds will be treated as "original issue discount." A taxpayer who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity and holds such Discount Bond to maturity may treat the full amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes and will not, under present federal income tax law, realize taxable capital gain upon payment of the Discount Bond at maturity.

The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bond on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period ending on June 1 and December 1 (with straight line interpolation between compounding dates).

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption or payment at maturity). Owners of Discount Bonds who dispose of Discount Bonds prior to maturity should consult their tax advisors concerning the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bonds prior to maturity.

The original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. Owners of Discount Bonds should be aware that the accrual of original issue discount in each year may result in a tax liability from these collateral tax

consequences even though the owners of such Discount Bonds will not receive a corresponding cash payment until a later date.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Issue Price for such maturity should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Bonds. It is possible under the applicable provisions governing the determination of state or local income taxes accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

ARKANSAS TAX MATTERS

In the opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel ("Bond Counsel"), under existing law, interest on the Series 2025 Bonds is exempt from State income tax, and the Series 2025 Bonds are exempt from property taxes in the State. The form of opinion of Bond Counsel is attached hereto as Appendix C.

CONTINUING DISCLOSURE AGREEMENT

Past Compliance. In the past five years, the City has been a party to certain continuing disclosure agreements in connection with four outstanding bond issues. The City has been obligated to file certain information with the Municipal Securities Rulemaking Board (the "MSRB") on its Electronic Municipal Market Access system ("EMMA") within the time periods set forth in the agreements. The City has reviewed its past compliance with such agreements. While the City has not made a determination as to materiality, the following constitutes a non-exhaustive summary of the City's review of compliance with continuing disclosure obligations over the past five years.

One of the continuing disclosure agreements obligates the City to file the audited financial statements of the City (the "City Audit") and one continuing disclosure agreement obligates the City to file the audited financial statements of the City's municipal airport (the "Airport"), which audited financial statements are part of the City Audit. The City Audits for the fiscal years ended December 31, 2020, 2021 and 2023 were timely filed. The City Audit for the fiscal year ended December 31, 2022 was filed 49 days late. The City Audit for the fiscal year ended December 31, 2024 is not yet available.

Three of the continuing disclosure agreements require the City to file the audited financial statements of the System. The audited financial statements of the System for the fiscal years ended December 31, 2020, 2023 and 2024 were timely filed. The audited financial statements of the System for the fiscal year ended December 31, 2022 were timely filed but were not linked to the CUSIP numbers for one bond issue. The audited financial statements of the System for the fiscal year ended December 31, 2021 were filed 23 days late but were not linked to the CUSIP numbers for one bond issue.

Two of the continuing disclosure agreements require the City to disclose certain statistical information related to the System in annual reports that are filed with the MSRB. The annual reports for the fiscal years ended December 31, 2021, 2022, 2023 and 2024 were timely filed and included all of the required statistical information. No previous annual report was required to be filed.

One of the continuing disclosure agreements requires the City to disclose certain statistical information related to the operation of the Airport. The annual reports for the fiscal years ended December 31, 2019 through 2024 were timely filed and included all of the required statistical information.

One of the continuing disclosure agreements requires the City to report collections of the net casino gaming receipts tax received by the City. The annual report for the fiscal years ended December 31, 2023 and 2024 were timely filed and included all of the required information. No previous annual report was required to be filed.

The City entered into a continuing disclosure agreement on April 30, 2025 in connection with its Sales and Use Tax Bonds, Series 2025, which agreement obligates the City to disclose statistical information related to its sales and use tax collections and the annual financial statements of the City's general fund. The annual reports and financial statements for this bond issue will not be due until June 2026.

The City's continuing disclosure agreements also obligated the City to file a notice of the occurrence of any event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5), including rating changes and the appointment of a successor trustee. All notices of such events were timely filed in the past five years.

Notices concerning the City's failure to comply with its continuing disclosure obligations as summarized above were not filed on EMMA.

Generally. The City will enter into a Continuing Disclosure Agreement with respect to the Series 2025 Bonds. Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of its provisions.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement will be executed and delivered by the City and the Trustee for the benefit of the Beneficial Owners of the Series 2025 Bonds and in order to assist the Underwriters in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

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

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

"Beneficial Owner" of a Series 2025 Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Series 2025 Bond (including persons holding Series 2025 Bonds through nominees, depositories or other intermediaries).

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

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

"Financial Obligation" shall mean a

- (A) debt obligation;
- (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or

(C) guarantee of obligations described in (A) or (B).

The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Reports. (a) The City shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the System's fiscal year (presently December 31) commencing with the report after the end of the 2025 fiscal year, provide to the Insurer and the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Each Annual Report may be submitted as a single document or as separate documents comprising a package and may cross reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the System may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the City. If the fiscal year of the System changes, the City shall give notice of such change in the manner as for a Listed Event.

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

(c) If the Trustee is unable to verify that an Annual Report (containing the information required in (1) under Content of Annual Reports, below) has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB and the Insurer.

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

(1) Information of the type set forth in this Official Statement under the caption **THE SYSTEM**, Electric Customers, Water Customers and Sewer Customers; and

(2) The annual financial statements of the System prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America.

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's website or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so incorporated by reference.

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

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

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

(c) After the occurrence of a Listed Event (excluding an event described in (a)8 above), whether by notice from the Trustee or otherwise, the City shall file (or shall cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such

Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Insurer and the Trustee (if the Trustee is not the Dissemination Agent). Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)8 above, the Trustee shall make the filing in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event.

Termination of Reporting Obligations. The City's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the affected Series 2025 Bonds.

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

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

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2025 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2025 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the affected Series 2025 Bonds in the same manner as provided in the Indenture for the affected Series 2025 Bonds for amendments to the Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Trustee, materially impair the interests of the Beneficial Owners of the Series 2025 Bonds.

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

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other

information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the City shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default. In the event of a failure of the City or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the City, the Insurer or any Beneficial Owner may (and the Trustee, at the request of the Underwriters, the Insurer or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Series 2025 Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Indenture, and the sole remedy under a Continuing Disclosure Agreement in the event of any failure of the City or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

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

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Trustee for the affected issue, the Dissemination Agent, the Underwriters, the Insurer and the Beneficial Owners of the affected Series 2025 Bonds and shall create no rights in any other person or entity.

UNDERWRITING

Stephens Inc. and Crews & Associates, Inc., the Underwriters, have agreed, subject to certain conditions precedent, to purchase the Series 2025 Bonds from the City at a purchase price of \$_____ (principal amount _____ net original issue _____ of \$_____ less Underwriters' discount of \$_____). The Underwriters are committed to purchase all of the Series 2025 Bonds if any are purchased.

The Series 2025 Bonds are being purchased by the Underwriters for reoffering in the normal course of the Underwriters' business activities. The Underwriters may offer and sell the Series 2025 Bonds to certain dealers (including dealers depositing Series 2025 Bonds into investment accounts) and others at prices lower than the offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriters.

LEGAL MATTERS

Legal Opinions. Legal matters incident to the authorization and issuance of the Series 2025 Bonds are subject to the unqualified approving opinion of Bond Counsel, the form of which is attached hereto as Appendix C.

Bond Counsel will not be responsible in any manner for matters addressed in the opinion of Special Tax Counsel and, likewise, Special Tax Counsel will not be responsible in any manner for matters addressed in the opinion of Bond Counsel. Moreover, Bond Counsel and Special Tax Counsel have no joint responsibility with respect to the Series 2025 Bonds or the proceedings relating to the Series

2025 Bonds. Bond Counsel will be solely responsible for its opinion and Special Tax Counsel will be solely responsible for its opinion. Bond Counsel's and Special Tax Counsel's fees for services rendered with respect to the sale of the Series 2025 Bonds are contingent upon the issuance and delivery of the Series 2025 Bonds.

Legal Proceedings. There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Series 2025 Bonds, or questioning or affecting the legality of the Series 2025 Bonds or the proceedings and authority under which the Series 2025 Bonds are to be issued, or questioning the right of the City to execute and deliver the Indenture or to issue the Series 2025 Bonds.

RATING

S&P is expected to assign a credit rating of "AA/Stable" to the Series 2025 Bonds with the understanding that the scheduled payment of principal of and interest on the Series 2025 Bonds will be guaranteed under the Insurance Policy to be issued by the Insurer.

Any explanation of such rating may only be obtained from S&P. Generally, rating agencies base their ratings upon information and materials supplied to them and on their own investigations, studies and assumptions. There is no assurance that such rating, once assigned, will remain for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change or withdrawal of the rating assigned to the Series 2025 Bonds by S&P may have an adverse effect on the market price of the Series 2025 Bonds. The Underwriters and the City have undertaken no responsibility after issuance of the Series 2025 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

MISCELLANEOUS

Enforceability of Remedies. Rights of the registered owners of the Series 2025 Bonds and the enforceability of the remedies available under the Indenture may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Indenture resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

Information in the Official Statement. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2025 Bonds.

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

The execution and delivery of this Official Statement has been authorized by the City.

CITY OF WEST MEMPHIS, ARKANSAS

By: _____
Mayor

Dated: As of the Cover Page hereof.

APPENDIX A

Audited Financial Statements of the System for the Fiscal Year
Ended December 31, 2024

**West Memphis Utility Department
An Enterprise Fund of
The City of West Memphis, Arkansas**

FINANCIAL REPORT

December 31, 2024

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JACKSON, HOWELL & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS CONSULTANTS



MEMBERS:

DAVID L. JACKSON, CPA
CYNTHIA C. ROBB, CPA

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INDEPENDENT AUDITORS' REPORT

To the West Memphis Utility Commission
West Memphis Utility Department, an Enterprise Fund of the City of West Memphis, Arkansas
West Memphis, Arkansas

Opinion

We have audited the financial statements of the West Memphis Utility Department, an enterprise fund of the City of West Memphis, Arkansas (the Department), which comprise the statement of net position as of December 31, 2024, the related statements of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, (collectively, the financial statements).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Department as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

GAAP requires that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about 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.

Supplementary Information.

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

West Memphis, Arkansas
July 14, 2025

Jackson, Howell & Associates, PLLC

Management's Discussion and Analysis of Audited Financial Statements

The following is Management's Discussion and Analysis of the activities and financial performance of the West Memphis Utility Commission for the year ended December 31, 2024. The purpose of this discussion and analysis is to assist the reader in identifying relevant financial activities and issues and to recognize changes in the financial position of the organization. We recommend the reader consider the information presented here with the additional information included in this report.

Financial Highlights

- The Utility's net position in 2024 increased by \$9,752,096 or 15%. The largest increase of revenues in 2024 was realized from grant revenues received which reimbursed utility construction accounts for the deployment of AMI metering and the initial construction of the broadband network.
- Operating revenues increased by \$671,485 or 1.9%. Revenue increases were derived from a rate increase in 2024 on water sales and subsequently wastewater revenues based on increased water revenues.
- The Utility's operating expenses totaled \$28,788,548. Operating expenses decreased \$1,060,225 from December 31, 2023, to December 31, 2024. The largest operating component is energy production expenses, which represented the bulk of the decrease in expenses.
- The Utility's assets totaled \$123,982,934. Total assets increased by \$24,921,605 or 20% from December 31, 2023, to December 31, 2024. The 2024 increase was the result of capital improvements completed at the Wastewater Treatment Plant (WWTP).
- The utility's liabilities totaled \$47,927,490. Total liabilities increased by \$15,169,509 or 45%, from December 31, 2023, to December 31, 2024. The increase in liabilities in 2024 was primarily the result of additional repayments and obligations of long-term debt issued for the Waste Water Treatment Plant expansion. There has been a total of two bond issues for the WWTP expansion and wastewater collection system rehabilitation, a 2021 and 2024 bond issue for 29.3 and \$15.3 million, respectively.
- As of December 31, 2024, the cash raised for the Treatment Plant expansion was by a 2024 debt issue. The use of those funds will be restricted for capital expansion of the Waste Water Treatment Plant (WWTP) and capital improvements to the collection system.

Overview

West Memphis Utility Commission's financial statements are comprised of two components. The first component are the three basic financial statements; The Statement of Net Position, The Statement of Revenues and Expenses and Changes in Net Position, and the Statement of Cash Flows. The second component is the notes to the financial statements.

The Statement of Net Position presents the assets and liabilities of the Utility, as well as the net position as of December 31, 2024. Over time, increases or decreases in the net position of the utility can be a valuable indicator of the financial condition of the utility.

The Statement of Revenues and Expenses and Changes in Net Position presents all of the Utility's revenue and expenses in the current year. This statement can be used to determine if the utility has successfully recovered all costs through rates and other charges and determines the success of the Utility's operations over the past year. This statement is a clear measure of profitability and subsequently, credit worthiness of the utility.

The Statement of Cash Flows reports the cash flows from operating activities which include cash receipts and cash payments. Also included in this statement is the net change in cash resulting from investing, non-capital financing, and capital and associated financing activities. This statement provides answers to the sources of cash, where cash was utilized, and what is the change in the cash balance during the reporting period.

The following is a summary of the Statement of Net Position for the year 2024.

**West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas**

	<u>2024</u>
Assets	
Current and other assets	\$ 51,209,016
Capital assets and other assets	<u>72,773,918</u>
Total assets	<u>123,982,934</u>
Liabilities	
Current liabilities	2,961,479
Non-current liabilities	<u>44,966,011</u>
Total liabilities	<u>47,927,490</u>
Net position	
Net investment in capital assets	72,188,983
Restricted for capital projects	20,936,066
Restricted for customer deposits	2,099,715
Unrestricted	<u>(19,169,320)</u>
Total net position	<u>\$76,055,444</u>

The following analysis highlights West Memphis Utilities' net position over the previous year.

Assets

On December 31, 2024, total assets increased to \$124 million from \$99 million. Current assets remained constant from 2023 to 2024. Which included an increase in investments of \$606,156 that was offset by a decrease in intergovernmental receivables in the amount of \$965,300.

Capital assets, net of depreciation totaled \$72.2 million on December 31, 2024. The major capital expenditures for Utility assets included roughly 15.1 million for expansion of the WWTP, which will increase capacity from 6 million gallons per day (MGD) to 12 MGD when completed in early 2026. The remaining \$7.8 million has been spent rebuilding 3 critical lift stations across the city as well as repairs to the wastewater collection system.

Liabilities

On December 31, 2024, current liabilities were \$ 2.9 million, this is an increase of \$593,284. The increase is attributable to an increase in bonds payable and bond interest payable in the amount of \$195,000 and \$66,896, respectively. Noncurrent liabilities increased \$14.6 million to \$44,966,011 in 2024.

Bond Issues

On October 21, 2021, Public Utility System Revenue Bonds were issued in the amount of \$29,305,000 to finance the expansion of the WWTP and make repairs to the wastewater collection system. These repairs included re-configuration of the collection system to move wastewater through a new force main to Lift Station (LS) 9, the rebuild of 3 of the critical lift stations, rebuilding of deteriorated manholes, and point repairs on the wastewater collection system.

A second special obligation bond issue occurred on October 16, 2024, in the amount of \$15,335,000 to finance additional costs of the plant expansion as well as the Cure in Place Pipe Lining (CIPP) pipeline rehabilitation program.

The following is a summary of the Statement of Revenues and Expenses and Changes in Net Position for the year 2024.

West Memphis Utility Department An Enterprise Fund of the City of West Memphis, Arkansas

	<u>2024</u>
Revenues	
Operating revenues	
Charges for services	\$36,010,416
Other operating revenues	7,645,628
Non-operating revenues	
Interest income	<u>1,441,643</u>
Total revenues	<u>45,097,687</u>
Expenses	
Operating expenses	34,505,289
Non-operating expense	<u>840,302</u>
Total expenses	<u>35,345,591</u>
Increase in net position	<u>9,752,096</u>
Net position, January 1	<u>66,303,348</u>
Net position, December 31	<u>\$76,055,444</u>

The following analysis highlights West Memphis Utilities' revenues and expenses and changes in net position over the previous year.

Revenues

On December 31, 2024, operating revenue totaled \$36 million, and these revenues are comprised of Sales of electric, water and wastewater. The distribution of the 2024 revenues is 82% from electric sales, 9% from water sales, and 9% from wastewater sales.

All revenue sources consist of three customer classes: residential, primarily made up of single-family homes and apartments, Commercial and Industrial, which are the operating businesses in West Memphis, and the Public Authority, which is the energy costs that West Memphis pays for city buildings and services like streetlights, traffic signals, and fire hydrants. These customer classes make up the revenues as follows: Electric is 38% residential, 58% commercial and industrial, and 4% public authority; Water is 44% residential, 54% commercial and industrial, and 2% public authority; wastewater is 54% residential, 45% commercial and industrial, and 1% public authority.

Expenses

On December 31, 2024, operating expenses totaled \$28.8 million. The largest component of utility expenses is power purchased for resale and transmission charges. The utility has ownership interest in two coal fired power plants, White Bluff, located near Pine Bluff, Arkansas and Independence, located near Newport, Arkansas, which fulfill about 45% of the utility's energy needs. The shortfall in energy needed is supplemented with power purchases in the wholesale market and constitutes the remaining 55% of cost. The transmission charges are the costs associated with getting the power generated or purchased to the delivery points at substations in the City of West Memphis. Power purchases and transmission charges make up 53% of all operating expenses.

Other Income

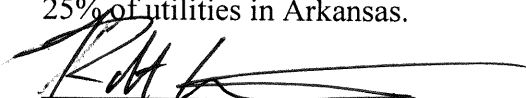
On December 31, 2024, other income totaled \$7.6 million, which is \$1.22 million in grant funds from the State of Arkansas that reimburse automated metering infrastructure (AMI) expenses for water meters that have already been incurred by the utility, and \$5.9 million reimbursement received from a State of Arkansas grant for Waste Water Treatment Plant expansion. There is also non-operating revenue totaling \$1.4 million in interest and investment income which is a significant increase over 2023 as a result of favorable market conditions.

Total contributions of 1.38 million to the City of West Memphis include payroll expenses for shared services, encompassing Human Resources, Data Processing, Economic Development, Finance, and City Attorney. Additionally, labor costs and materials for special city projects such as holiday lighting installation across the city, or temporary utilities for special events and programs have been donated as well. Finally, the utility contributed \$30,000 of unearned income to the summer jobs program to ensure that all the children that had applied for a summer job were able to receive one.

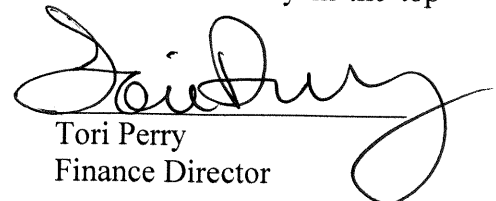
A major commitment of the utility is to give back to the community and support the improvement of West Memphis. Accordingly, in 2024 the Utility Commission voted to fund a scholarship fund from non-rate based income of the utility. In 2024, the utility placed \$50,000 in a scholarship fund and awarded ten \$3,000 scholarships to the successful applicants.

Summary

West Memphis Utilities' net position increased by \$9.7 million in 2024, compared to an increase of \$704,396 in 2023. The utility continues to provide some of the lowest rates in the State of Arkansas in both Electric and Water. In addition to the low rates, the utility provides some of the best reliability of electric service in the state with our outage numbers consistently in the top 25% of utilities in Arkansas.



Bob Atkins
General Manager



Tori Perry
Finance Director

REPORT OF MANAGEMENT ON FINANCIAL STATEMENT

The management of West Memphis Utility Department, an Enterprise Fund of the City of West Memphis, Arkansas (the Department) is responsible for the integrity and objectivity of the financial statements and other financial information contained in the Financial Report. The financial statements and related information were prepared in conformity with accounting principles generally accepted in the United States of America, based on recorded transactions and management's best judgments and estimates, in order to set forth a fair presentation of financial position and results of operations.

Management maintains a system of internal controls and procedures designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that transactions are properly recorded to permit the preparation of reliable financial records and reports, that assets are safeguarded and that accountability for assets is maintained. In designing and implementing internal controls and procedures, management recognizes that errors or irregularities may nevertheless occur. Further, estimates and judgments are necessary to evaluate the relative cost/benefit of such controls and procedures. Internal controls and procedures are regularly reviewed and revised, when appropriate, due to changing circumstances and requirements.

The Commissioners oversee these financial statements. The Commissioners meet periodically with management to monitor the discharge of its responsibilities. The independent auditors, who are engaged to express an opinion on the financial statements, have free access to the Commissioners without management present to discuss internal control, audit and financial matters.

Jackson, Howell & Associates, PLLC has been engaged to audit the financial statements of the Department. The report on the Department's financial statements is set forth on pages three through five.

West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas
STATEMENT OF NET POSITION
For The Year Ended December 31, 2024

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,549,231
Investments	15,117,832
Accounts receivable, net	5,242,659
Inventories	3,427,039
Interest receivable	19,268
Intergovernmental receivables	2,817,206
Restricted assets	
Cash and cash equivalents	20,936,066
Investments	2,099,715
Net restricted assets	<u>23,035,781</u>
TOTAL CURRENT ASSETS	51,209,016

NON-CURRENT ASSETS

Capital assets	
Land and improvements	13,412,976
Buildings and equipment	15,367,561
Electric plant	62,143,828
Water plant	49,769,681
Sewer plant	<u>39,795,923</u>
	180,489,969
Less accumulated depreciation	<u>108,300,986</u>
Net capital assets	72,188,983
Deferred debt, discount on bonds, and bond insurance, net	<u>584,935</u>
TOTAL NON-CURRENT ASSETS	<u>72,773,918</u>

\$123,982,934

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

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Payable from current assets:	
Accounts payable and accrued expenses	\$ 1,953,736
Intergovernmental payable	<u>42,024</u>
	1,995,760
Payable from restricted assets:	
Bond interest payable	135,719
Bond payable, current	<u>830,000</u>
	<u>965,719</u>

TOTAL CURRENT LIABILITIES 2,961,479

NON-CURRENT LIABILITIES

Customer deposits	2,099,715
Bond payable, non-current	42,090,000
Unamortized premium on sale of bond, net	<u>776,296</u>

TOTAL NON-CURRENT LIABILITIES 44,966,011

TOTAL LIABILITIES 47,927,490

NET POSITION

Net investments in capital assets	72,188,983
Restricted for capital projects	20,936,066
Restricted for customer deposits	2,099,715
Unrestricted	<u>(19,169,320)</u>
TOTAL NET POSITION	<u>76,055,444</u>

\$123,982,934

West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas
STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET POSITION
For the Year Ended December 31, 2024

OPERATING REVENUE

Charges for services	
Electric	\$29,361,910
Water	3,256,328
Sewer	3,392,178
Other	<u>7,645,628</u>
	43,656,044

OPERATING EXPENSES

Purchase power for resale	11,379,447
Transmission charges	3,953,790
General and administrative	8,389,517
Maintenance, operations, and contracted services	5,065,794
Payment in lieu of taxes	1,796,844
Depreciation	<u>3,919,897</u>
	<u>34,505,289</u>
OPERATING INCOME	9,150,755

NON-OPERATING REVENUE (EXPENSES)

Interest on bonds	(827,889)
Investment income	1,441,643
Amortization	<u>(12,413)</u>
	<u>601,341</u>

INCREASE IN NET POSITION 9,752,096

NET POSITION AT BEGINNING OF YEAR 66,303,348

NET POSITION AT END OF YEAR \$76,055,444

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

West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$43,802,287
Payments to suppliers for goods and services	(25,725,235)
Payments to employees	<u>(4,971,122)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,105,930
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers (to) from other funds	<u>716,142</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	716,142
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(28,575,031)
Proceeds from issuance of bond	15,335,000
Payment of bond fees	(328,946)
Premium on bonds	(64,881)
Principal paid on bonds	(635,000)
Interest paid on bonds	<u>(760,993)</u>
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(15,029,851)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	1,438,082
Purchases of investments	<u>(745,262)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>692,820</u>
NET DECREASE IN CASH	(514,959)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>23,000,256</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$22,485,297</u>

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

West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas
STATEMENT OF CASH FLOWS - CONTINUED
For the Year Ended December 31, 2024

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Operating income	9,150,755
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	3,919,897
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	10,137
(Increase) decrease in inventories	(691,511)
Increase (decrease) in accounts payable	580,546
Increase (decrease) in customer deposits	<u>136,106</u>
Total adjustments	<u>3,955,175</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$13,105,930</u>

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

West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Operations

The West Memphis Utility Department (the “Department”), an enterprise fund of the City of West Memphis, Arkansas provides electric, water and sewer services for the City. The current West Memphis Utility Commission has the authority to recommend electric, water and sewer rates to the City Council which has final authority for approving utility rates. The Department procures energy through Next Era Marketing. The Department is a member of the Mid-Continent Independent System Operator (MISO) system. MISO is an Independent System Operator (ISO) and a Regional Transmission Organization (RTO) that offers open access transmission, monitors the high-voltage transmission grid and operates an energy market for electric utilities in the region.

Governmental Accounting Standards

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America as applied to enterprise funds of governmental entities. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for governmental accounting and financial reporting. The GASB periodically issues new or revised standards that are implemented by the Department.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Department’s financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred, regardless of the measurement focus applied. Interfund items and transactions between the electric, water and sewer funds have been eliminated.

Fair Value of Financial Instruments

The Department’s financial instruments include cash and cash equivalents, certificates of deposit, accounts receivable and accounts payable. The Department’s estimate of fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net asset. The carrying amount of these financial instruments approximates fair value because of the short maturity of these investments.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Department considers all liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Short-term Investments

Short-term investments are stated at cost unless there is an indication of permanent impairment of value, in which case the adjustment to market value is included in results of operations. Interest income is accrued as earned.

West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable

Accounts receivable is recorded at the amount the Department expects to collect on balances outstanding at year-end. An allowance for uncollectible accounts is estimated and recorded based on the Department's historical bad debt experience and on management's judgment. The allowance for uncollectible accounts was \$500,000 on December 31, 2024.

Inventories

Inventories consist of materials and supplies for the following:

Electric Department	\$1,402,728
Water Department	244,432
Sewer Department	6,582
Gas and Oil	32,883
Independence - Coal Stockpile	483,089
Independence - Materials and supplies	285,634
White Bluff - Coal Stockpile	650,274
White Bluff - Materials and supplies	<u>321,417</u>
Total	<u>\$3,427,039</u>

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Capital Assets

Capital assets, which include property, plant and equipment are stated at cost. Expenditures for maintenance and repairs are expensed when incurred. Additions, major improvements and replacements of units are capitalized and depreciated on a straight-line basis over the estimated useful lives of the various classes as follows:

	<u>Years</u>
Buildings	40
Furniture, fixtures and equipment	6 - 10
Plant in service	20 - 50
Investment in electric generating plant	27 - 30

Costs and related allowances for depreciation of assets sold or otherwise retired are eliminated from the asset and accumulated depreciation accounts where detail property records are available.

West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Amortization of Bond Discounts, Insurance and Premiums

Cost associated with issuing the Series 2021 revenue bond has been deferred and is being amortized using the straight-line method over the 30-year life of the bond. Amortization expense at December 31, 2024 was \$9,672.

Cost associated with issuing the Series 2024 revenue bond has been deferred and is being amortized using the straight-line method over the 30-year life of the bond. Amortization expense at December 31, 2024 was \$2,741.

Net position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the Department's financial statements. Net position is classified in the following categories:

1. Net investment in capital assets - This amount consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of those assets.
2. Restricted net position - This amount is restricted by creditors, grantors, contributors, or laws or regulations of the government.
3. Unrestricted net position - This amount is the net position that does not meet the definition of "net investment of capital assets" or "restricted net position."

The Department's activities and net position are tracked in the accounting system by numerous sources of funds. Certain assets are restricted for specific purposes. Legal and contractual agreements restrict amounts for debt service, refund of customer deposits and capital improvements. The general manager, in conjunction with the finance director, utility commission and city council are authorized to assign amounts to a specific purpose. The Department does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenses are incurred for purposes for which both restricted and unrestricted amounts are available. Restricted funds are first used for expenses when available at the discretion of management depending on the availability of funds.

Classification of Revenues and Expense

As an enterprise (proprietary) fund, the Department classifies its revenues and expenses into the following classifications: operating revenue, operating expenses, non-operating revenue and non-operating expenses.

West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Classification of Revenues and Expense - continued

Operating revenue and expenses are deemed as revenues realized by the Department in exchange for providing its primary services for electric, water, sewer and other charges. Non-operating revenues are those derived from the investment of cash reserves and from entities other than customers and other ancillary sources. Non-operating expenses include those related to bond costs and amortization expenses.

Revenue Recognition

Revenues are included in income as services are delivered. Billings are rendered and recorded monthly based on metered usage. Included in the accounts receivable at December 31, 2024, was an estimate for these unbilled services totaling \$1,558,177.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from these estimates.

Compensated Absences

Employees of the Department are entitled to pay for compensated absences depending on job classification, length of service, and other factors. It is the Department's policy to recognize the cost of compensated absences when actually paid to the employees.

Subsequent Events

The Company has evaluated events and transactions that occurred between December 31, 2024 and July 14, 2025, which is the date that financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE B - CASH AND SHORT-TERM INVESTMENTS

The Treasurer of West Memphis Utility Commission is authorized by the State of Arkansas Statutes to invest excess cash balances in short-term investments. At December 31, 2024, cash and short-term investments are listed below:

	<u>Restricted</u>	<u>Unrestricted</u>
CASH	\$20,936,066	\$ 1,549,231
INVESTMENTS:		
Certificates of Deposit	<u>2,099,715</u>	<u>15,117,832</u>
	<u>\$23,035,781</u>	<u>\$16,667,063</u>

West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE B - CASH AND SHORT-TERM INVESTMENTS - CONTINUED

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Department's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; U.S. Treasury and U.S. agencies and instrumentalities bonds or other obligations; bonds of the State of Arkansas or by bonds of a political subdivision thereof which has never defaulted on any of its obligations.

At December 31, 2024, none of the Department's bank balances of \$19,409,632 were exposed to custodial credit risk.

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in eligible investment securities having a maturity of no longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

NOTE C - INVESTMENT IN GENERATING PLANTS

In 1980, the Department entered into an Ownership Agreement with Entergy whereby it purchased a 1% interest in two fossil fuel electric generating plants in Arkansas, one at White Bluff and one in Independence County. Both generating plants include two fully operational generating power units. The Department financed these purchases through the issuance of revenue bonds.

As a party to the Ownership Agreement, the Department was required to pay its 1% share of the construction costs of the plants, as incurred by Entergy and as defined in the Agreement. After commercial operation of the plants began, the Department was also responsible for its 1% share of additions or replacements at each plant. The amounts recorded (including capitalized interest), of \$13,163,781 and \$12,717,318 for White Bluff and Independence, respectively, represent the Department's 1% share of plant construction cost.

The Department is also a party to an Operating Agreement with Entergy whereby it has agreed to pay 1% of the operating costs (mainly operations and maintenance expenses, not including fuel) of the plants. Furthermore, the Department also pays for 1% of the coal purchased by the plants and this amount is included in inventory on the accompanying balance sheets.

West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE C - INVESTMENT IN GENERATING PLANTS - CONTINUED

These agreements entitle the Department to 1% of the net generating capacity and energy of the plants, which is delivered to West Memphis in accordance with a transmission agreement.

NOTE D - RESTRICTED ASSETS

Restricted cash and investments represent amounts required to be maintained by agreements related to deposits received from customers and the bond issue.

NOTE E - REVENUE BONDS PAYABLE

On October 12, 2021, the Department issued \$29,305,000 of the Public Utility System Revenue Bonds, Series 2021.

Principal payments are due annually in increasing amounts over 30 years beginning in 2022. Interest is payable semi-annually. The bond has various interest rates from 2.5 - 4.0% dependent upon the maturity date.

On October 16, 2024, the Department issued \$15,335,000 of the Public Utility System Revenue Bonds, Series 2024.

Principal payments are due annually in increasing amounts over 30 years beginning in 2025. Interest is payable semi-annually. The bond has various interest rates from 4.0 - 5.0% dependent upon the maturity date.

Current principal maturities of long-term debt as of December 31, 2024, are as follows:

2025	\$ 830,000
2026	950,000
2027	990,000
2028	1,035,000
2029	1,075,000
Thereafter	<u>38,040,000</u>
	<u>\$42,920,000</u>

NOTE F - RELATIONSHIPS WITH THE CITY

The Department is one of a number of departments and/or funds of the City of West Memphis established for a specific purpose. General services, such as personnel, data processing, financial administration and legal services are provided to the Department by the City. The costs associated with providing these services are charged to the Department by the City. The City also charges the Department an amount in lieu of franchise taxes.

West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE F - RELATIONSHIPS WITH THE CITY - CONTINUED

The Department, as a convenience to customers, includes the fees for city-provided garbage collection in its monthly customer billings. These fees are remitted to the Sanitation Department monthly and are not reflected in the accompanying financial statements.

NOTE G - INTERGOVERNMENTAL BALANCES

During the course of its operations, the Department has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds have not been paid or received as of December 31, 2024, balances of interfund amounts receivable or payable have been recorded as "intergovernmental receivables/payables". All interfund balances are expected to be paid within one year.

NOTE H - RISK MANAGEMENT

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to independent contractors and natural disasters, all of which is satisfactorily insured by general liability service. Commercial insurance policies are also obtained for other risks of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE I - CONTINGENCY

The City of West Memphis is involved in a number of lawsuits arising in the ordinary course of business. One of the lawsuits is directly related to the West Memphis Utility Department, but an evaluation of an unfavorable outcome cannot be made at this time.

On March 5, 2020, the Arkansas Department of Energy and Environment Division of Environmental Quality ("ADEQ") and the City entered into a Consent Administrative Order ("CAO") concerning, among other things, sanitary sewer overflows and unpermitted discharges. The City has submitted to ADEQ a corrective action plan and milestone schedule with a final compliance date of December 31, 2023. The City must submit to ADEQ quarterly progress reports. In compromise and full settlement of the violations specified in the CAO, the City paid to ADEQ a civil penalty of \$4,000. Failure to meet any requirement or deadline penalties in the CAO subjects the City to additional monetary penalties ranging from \$100 per day to \$1,000 per day, depending on the length of time such violations remain unresolved. Proceeds from Series 2021 Bonds will finance improvements to the System needed to fully comply with the CAO.

As of June 6, 2024, there is an amended Consent Administrative Order ("CAO") that addresses two additional unpermitted discharge findings that were not included in the original CAO. In compromise and full settlement of the additional violations, the City paid to the Arkansas Department of Energy and Environment Division of Environmental Quality ("ADEQ") a civil penalty of \$2,700.

West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE J - PENSION PLAN

In January 1977, the City established a defined contribution pension plan for all non-uniformed employees. The City contributes 6% of each participant's annual salary, and employees can also contribute a voluntary amount of not less than 2% of his/her regular pay to the plan. Participants vest in the employer's contribution at a rate of 20% per year. Eligibility commences one year from date of employment.

Employees have the option to invest the funds in their account. Employees are entitled only to the funds deposited by them and on their behalf; therefore, there is no unfunded liability.

The amount contributed to the pension plan and expensed by the Department was \$254,516 for the year ended December 31, 2024.

NOTE K - MAJOR VENDORS

Purchases for the years ended December 31, 2024, include purchases from one major vendor.

	<u>Amount</u>	<u>Percent</u>
Purchases from:		
Vendor A	\$11,379,447	100.00%
Accounts Payable:		
Vendor A	1,030,372	64.12%
Vendor B	255,877	15.92%
Vendor C	320,710	19.96%

SUPPLEMENTARY INFORMATION

West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas
CAPITAL ASSETS
December 31, 2024

	COST			
	Balance January 1, <u>2024</u>	Additions and <u>Transfers</u>	Disposals and <u>Transfers</u>	Balance December 31, <u>2024</u>
UTILITY, PLANT IN SERVICE				
Electric	\$ 35,105,587	\$ 1,157,142	\$ -	\$ 36,262,729
Generating plants				
White Bluff	13,069,849	93,932	-	13,163,781
Independence	<u>12,627,924</u>	<u>89,394</u>	-	<u>12,717,318</u>
	60,803,360	1,340,468	-	62,143,828
Water	26,862,436	22,907,245	-	49,769,681
Sewer	<u>39,593,480</u>	<u>202,443</u>	-	<u>39,795,923</u>
	127,259,276	24,450,156	-	151,709,432
CAPITAL ASSETS				
Land	418,341	-	-	418,341
Buildings	1,903,506	295,183	-	2,198,689
Building improvements	9,705,617	3,289,018	-	12,994,635
Furniture and fixtures	749,493	-	-	749,493
Transportation equipment	7,224,356	321,577	-	7,545,933
Miscellaneous equipment	<u>4,654,349</u>	<u>219,097</u>	-	<u>4,873,446</u>
	24,655,662	4,124,875	-	28,780,537
CONTRIBUTION IN AID OF CONSTRUCTION				
	-	-	-	-
	<u>\$151,914,938</u>	<u>\$28,575,031</u>	<u>\$ -</u>	<u>\$180,489,969</u>

ACCUMULATED DEPRECIATION

Balance January 1, <u>2024</u>	<u>Current Provision</u>	<u>Other Additions</u>	Balance December 31, <u>2024</u>
\$ 22,209,057	\$ 893,215	\$ -	\$ 23,102,272
11,066,307	138,316	-	11,204,623
<u>10,481,819</u>	<u>139,245</u>	-	<u>10,621,064</u>
43,757,183	1,170,776	-	44,927,959
14,610,468	1,233,108	-	15,843,576
<u>27,046,326</u>	<u>977,850</u>	-	<u>28,024,176</u>
85,413,977	3,381,734	-	88,795,711
-	-	-	-
774,885	45,643	-	820,528
1,422,645	274,687	-	1,697,332
689,847	14,178	-	704,025
6,871,815	121,480	-	6,993,295
<u>4,240,834</u>	<u>82,175</u>	-	<u>4,323,009</u>
14,000,026	538,163	-	14,538,189
-	-	-	-
<u>4,967,086</u>	-	-	<u>4,967,086</u>
<u>\$104,381,089</u>	<u>\$3,919,897</u>	<u>\$ -</u>	<u>\$108,300,986</u>

West Memphis Utility Department
An Enterprise Fund of the City of West Memphis, Arkansas
UTILITY SALES AND CUSTOMER DATA
For the Year Ended December 31, 2024

	Electric Sales (KWH) <u>In Thousands</u>	Number of Metered <u>Customers</u>
Residential	139,667	10,175
Commercial & industrial	209,777	1,549
Public authority	<u>15,069</u>	<u>141</u>
	<u>364,513</u>	<u>11,865</u>

	Water Sale <u>(Thousand of Gallons)</u>	Number of Metered <u>Customers</u>
Residential	711,147	8,192
Commercial & industrial	861,953	1,097
Public authority	<u>25,486</u>	<u>42</u>
	<u>1,598,586</u>	<u>9,331</u>

	Sewer Sale <u>(Thousand of Gallons)</u>	Number of Metered <u>Customers</u>
Residential	1,836	8,069
Commercial & industrial	1,537	950
Public authority	<u>27</u>	<u>33</u>
	<u>3,400</u>	<u>9,052</u>

APPENDIX B

Form of Opinion of Special Tax Counsel

December 30, 2025

Stephens Inc.
Little Rock, Arkansas

Crews & Associates, Inc.
Little Rock, Arkansas

Bank OZK
Jonesboro, Arkansas, as Trustee

Re: \$20,340,000* City of West Memphis, Arkansas Public Utility System Revenue
Bonds, Series 2025

Ladies and Gentlemen:

We have acted as special tax counsel in connection with the issuance by City of West Memphis, Arkansas (the "Issuer") of \$20,340,000* City of West Memphis, Arkansas Public Utility System Revenue Bonds, Series 2025 (the "Bonds" or "Series 2025 Bonds") pursuant to Title 14, Chapter 164, Subchapter 4, Title 14, Chapter 202 and Title 14, Chapter 203 of the Arkansas Code of 1987 Annotated and a Trust Indenture dated as of the date hereof (the "Indenture") between the Issuer and Bank OZK, Little Rock, Arkansas, as Trustee (the "Trustee"). We have examined the law and the certified transcript of proceedings relative to the authorization, issuance and sale of the Bonds and such other papers and certificates as we deem necessary to render this opinion, including the tax covenants and representations of the Issuer (the "Tax Covenants"), without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, as follows:

Under existing federal statutes, regulations and rulings, interest on the Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2025 Bonds may be taken into account for the purposes of computing the alternative minimum tax imposed on certain corporations. This opinion relates only to the excludability from gross income of interest on the Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Issuer with the Tax Covenants. Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the excludability from gross income for federal income tax purposes retroactive to the date of issue.

We have relied on the opinion of Friday, Eldredge & Clark, LLP Bond Counsel to the Issuer, which is attached hereto as Exhibit A as to those matters addressed therein.

* Preliminary; subject to change.

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

Very truly yours,

EXHIBIT A

December 30, 2025

Ice Miller LLP
Indianapolis, Indiana

Re: \$20,340,000* City of West Memphis, Arkansas Public Utility System Revenue
Bonds, Series 2025

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of West Memphis, Arkansas (the "Issuer") in connection with the above-styled bonds (the "Bonds"). You may rely upon our Bond Counsel opinion approving the Bonds, dated the date hereof, to the same extent as if addressed to you.

We are of the opinion that the Issuer is a political subdivision within the meaning of United States Treasury Regulation Section 1.103-1. The opinion given herein is given as of the date set forth above, and we assume no obligation to revise or supplement it to reflect any facts or circumstances that may later come to our attention or any changes in law that may later occur.

Sincerely,

FRIDAY, ELDREDGE & CLARK, LLP

* Preliminary; subject to change.

APPENDIX C

Form of Opinion of Bond Counsel

December 30, 2025

Bank OZK
Little Rock, Arkansas, as Trustee

Stephens Inc.
Little Rock, Arkansas

Crews & Associates, Inc.
Little Rock, Arkansas

Re: \$20,340,000* City of West Memphis, Arkansas Public Utility System Revenue
Bonds, Series 2025

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of West Memphis, Arkansas (the "City") of \$20,340,000* City of West Memphis, Arkansas Public Utility System Revenue Bonds, Series 2025 (the "Bonds"). The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State of Arkansas, including particularly Title 14, Chapter 164, Subchapter 4, Title 14, Chapter 202 and Title 14, Chapter 203 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), and pursuant to Ordinance No. _____, adopted November 20, 2025 (the "Authorizing Ordinance") and are issued under and secured by a Trust Indenture dated as of December 30, 2025 (the "Indenture") by and between the City and Bank OZK, as trustee. In such capacity, we have examined such law and such certified proceedings and other papers as we deem necessary to give the opinions below.

Regarding questions of fact material to the opinions below, we have relied upon the representations of the City contained in the Indenture and the Authorizing Ordinance and on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify them by independent investigation.

Based on the foregoing, we are of the opinion that:

1. The City is duly created and validly existing as a municipal corporation and political subdivision of the State of Arkansas, with the corporate power to adopt the Authorizing Ordinance, execute the Indenture, perform the agreements on its part contained therein and issue the Bonds.
2. The Authorizing Ordinance has been duly adopted by the City and constitutes a valid and binding obligation of the City enforceable upon the City.
3. The Indenture constitutes a valid, binding and enforceable obligation of the City.
4. Pursuant to the Authorizing Legislation, the Authorizing Ordinance creates a valid lien on revenues of the City's water, sewer and electric utility system (the "Revenues"). The pledge of Revenues in favor of the Bonds is on a parity with the pledge of Revenues in favor of the City's Public

* Preliminary; subject to change

Utility System Revenue Bonds, Series 2021 and the City's Public Utility System Revenue Bonds, Series 2024.

5. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding special obligations of the City, payable solely from the Revenues and other funds provided therefor in the Indenture.

6. The interest on the Bonds is exempt from State of Arkansas income tax and the Bonds are not subject to property taxes in the State of Arkansas.

7. The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Authorizing Ordinance and the Indenture are exempt from qualification under the Trust Indenture Act of 1939, as amended.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Authorizing Ordinance and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights and remedies of creditors, and by equitable principles, whether considered at law or in equity.

The opinions given in this opinion letter are given as of the date set forth above, and we assume no obligation to revise or supplement them to reflect any facts or circumstances that may later come to our attention, or any changes in law that may later occur.

Sincerely,

FRIDAY, ELDREDGE & CLARK, LLP

APPENDIX D

Specimen Municipal Bond Insurance Policy



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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