

STATE OF ARKANSAS
SECURITIES DEPARTMENT

IN THE MATTER OF

SOUTHWEST ARKANSAS WATER
SYSTEM, INC.

ORDER PROVIDING A
TRANSACTIONAL EXEMPTION
FROM REGISTRATION
NO. 06-80006744-OR005

FINDINGS OF FACT

1. On November 9, 2006, a letter was received by the Arkansas Securities Commissioner requesting that the proposed offering and sale of two (2) bonds ("Bonds") of Southwest Arkansas Water System, Inc., an Arkansas non-profit corporation ("Issuer"), to the Arkansas Natural Resources Commission, a state agency of the State of Arkansas ("Purchaser"), be determined to be an exempt transaction pursuant to ARK. CODE ANN. § 23-42-504(a)(12). In support of the request, the Issuer also furnished a copy of a Memorandum of Agreement between the Issuer and the Purchaser which purports to have been executed on November 9, 2006, indicating that the transaction is scheduled to close on November 30, 2006.

2. The Issuer is a non-profit corporation organized under the laws of the State of Arkansas, and owns and maintains an existing water and sewer system for the use and benefit of residents of the State of Arkansas.

3. The Bonds consist of two (2) separate bonds of the Issuer in the amount of \$309,000 each, an aggregate of \$618,000, proceeds from the sale of which are to be used to acquire, construct and equip improvements to the Issuer's existing water system.

4. The Purchaser is a state agency of the State of Arkansas and is the sole purchaser of the Bonds.

5. An exemption from registration has been requested pursuant to the Commissioner's discretionary authority under ARK. CODE ANN. § 23-42-504(a)(12).

6. The Issuer has represented to the Commissioner that payment of the bonds will be derived from revenues paid to the water system by its customers and users.

7. Pursuant to ARK. CODE ANN. § 23-42-504(a)(12), the Commissioner may, by order, exempt certain transactions from the registration requirements of ARK. CODE ANN. §§ 23-42-501 and 502 when the Commissioner deems registration unnecessary for the protection of investors and not in the public interest.

CONCLUSIONS OF LAW

8. The transaction described herein ("Transaction") is not the type the Arkansas Securities Act ("Act") was designed to protect against by requiring registration.

9. It is not necessary, appropriate, or in the public interest to require registration of the Transaction under the Act for the purpose of protection of investors or otherwise.

10. It is not necessary, appropriate, or in the public interest to require the Issuer to engage the services of a registered agent for the purpose of effecting the sale of the Bonds in connection with the Transaction.

OPINION

In recognition of the representations made regarding the Transaction, it appears that registration of the Transaction is unnecessary in this instance.

ORDER

IT IS THEREFORE ORDERED that the bonds referred to herein offered or sold in Arkansas in connection with the proposed Transaction, if offered and sold in compliance with the representations made in the letter of November 9, 2006, the Memorandum of Agreement

dated November 9, 2006, the representations contained in the correspondence accompanying the Memorandum of Agreement, and in accordance with the Findings of Fact stated herein, shall be exempted from ARK. CODE ANN. §§ 23-42-501 and 502. This Order does not exempt the Issuer from the antifraud provisions of the Act.

WITNESS MY HAND AND SEAL this 20th day of November, 2006.



MICHAEL B. JOHNSON
SECURITIES COMMISSIONER