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James M. Fischer
Larry W. DORITY

February 26, 2002

FILED²
FEB 26 2002
Missouri Public
Service Commission

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
200 Madison Street, Suite 100
P.O. Box 360
Jefferson City, Missouri 65102

WM-2002-394

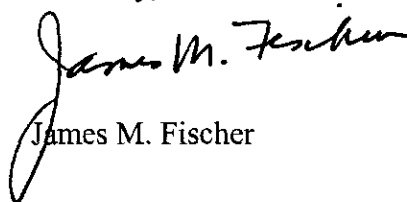
RE: *In the Matter of the Application of Quail Run Water and Land Company to Sell Its
Stock and Transfer Assets to the Public Funding Corporation of the City of Ozark,
Missouri*

Dear Mr. Roberts:

Enclosed for filing in the above-referenced matter are the original and eight (8) copies of the Joint Application of Quail Run Water and Land Company and the Public Funding Corporation of the City of Ozark, Missouri. A copy of the foregoing Joint Application has been hand-delivered or mailed this date to all parties of record.

Thank you for your attention to this matter.

Sincerely,


James M. Fischer

/jr
Enclosures

cc: Dana K. Joyce, General Counsel
Office of the Public Counsel
Bill Vanvig
Collin Quigley

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

FILED²
FEB 26 2002
Missouri Public
Service Commission

In the Matter of the Application of)
Quail Run Water and Land Company)
to Sell Its Stock and Transfer Assets)
to the Public Funding Corporation of)
the City of Ozark, Missouri)

Case No. WM 2002-394

JOINT APPLICATION

COME NOW Quail Run Water and Land Company ("Quail Run" or "Seller") and Public Funding Corporation of the City of Ozark, Missouri ("Buyer") (collectively, "Joint Applicants"), in support of their Application pursuant to Section 393.190, RSMo 2000 and 4 CSR 240-2.060(7) & (12), and states as follows:

1. That Seller is a Missouri Corporation duly organized and existing under the laws of the State of Missouri as evidenced by Exhibit A, attached hereto and incorporated herein by reference. Seller's principal office and place of business is located at 1536 Quail Run Road, Ozark, Missouri 65714.

2. That Buyer is The Public Funding Corporation of the City of Ozark, Missouri, a not-for-profit corporation existing under the laws of the State of Missouri as evidenced by Exhibit B, attached hereto and incorporated herein by reference. The intended lessee/purchaser of water works is the City of Ozark, a municipality existing under the laws of the State of Missouri.

3. Correspondence, communications, orders, and decisions in this matter should be addressed to:

Bill Vanvig
Quail Run Water and Land Company
4624 North Quail Run Road
Ozark, Missouri 65721
(417) 581-6560

Collin Quigley,
City Administrator
City of Ozark
P.O. Box 295
Ozark, Missouri 65721
Telephone: (417) 581-2407

Gary E. Bishop
Van Walther, Bishop & Lippelman, P.C.
3734 South Avenue, Suite C
Springfield, Missouri 65807
Telephone: (417) 877-9138

James M. Fischer
Fischer & Dority, P.C.
101 Madison Street, Suite 400
Jefferson City, Missouri 65101
Telephone: (573) 636-6758

4. That Buyer intends to purchase all the stock and transfer the assets of Quail Run Water and Land Company upon the terms and conditions set forth in Exhibit C, attached hereto and incorporated herein by reference; and, then enter into Lease/Purchase Agreements with the City of Ozark for said water works in the form shown at Exhibit D, attached hereto and incorporated herein by reference.

5. A certified copy of the resolution authorizing the sale by the Board of Directors of Seller, marked as Exhibit E, is attached hereto and incorporated herein by reference. A certified copy of the ordinance authorizing the purchase by the Buyer with the approval of the Board of Aldermen of the City of Ozark, Missouri, marked as Exhibit F, is attached hereto and incorporated herein by reference.

6. The proposed transaction is not detrimental to the public interest in that service provided will not be changed. The customers will continue to receive water service at existing rates. Notice to all present customers will be given in the form marked as Exhibit G, which is attached hereto and incorporated herein by reference.

7. Upon receipt of the proceeds of the sale, Sellers intend to discontinue water service and the City of Ozark as Lessee/Purchaser from Buyer will immediately and without interruption begin providing water service in the service area. Following the closing of the transaction, Buyer will be in a better financial position that Seller to adequately maintain the water system to ensure that customers receive safe and adequate water service in the future.

8. The proposed transfer will have no impact on tax revenues of Christian County.

9. The Joint Applicants have no pending actions or final unsatisfied judgements or decisions against them from any state or federal agency or court which involve customer service or rates, which action, judgment or decision has occurred within three (3) years of the date of the application.

10. The Joint Applicants have no annual reports or assessment fees that are overdue.

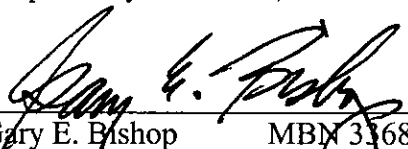
WHEREFORE, Joint Applicants respectfully request an order and decision of this Commission:

(i) approving the sale and transfer of the stock and assets of Quail Run Water and Land Company to Buyer and the subsequent Lease/Purchase from Buyer to the City of Ozark, Missouri; and

(ii) authorizing Seller to discontinue providing service in its service area as of the date of sale and transfer to the Buyer and the immediate continuance of service by the City of Ozark, Missouri, without jurisdiction, supervision, and control of the Commission; and

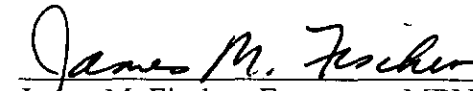
(iii) for such other relief deemed meet and proper to accomplish the purposes of this Application.

Respectfully submitted,



Gary E. Bishop MBN 33685
MANN, WALTER, BISHOP & LIPPELMAN, P.C.
3734 South Avenue, Suite C
Springfield, Missouri 65807
Telephone: (417) 877-9138
Facsimile: (417) 877 0469
Email: gbishop@mannwalterlaw.com

Attorneys for Quail Run Water and Land Company


James M. Fischer, Esq. MBN 27543
FISCHER & DORITY, P.C.
101 Madison Street, Suite 400
Jefferson City, Missouri 65101
Telephone: (573) 636-6758
Facsimile: (573) 636-0383
E-mail: jfischerpc@aol.com

Attorneys for The Public Funding Corporation of the
City of Ozark, Missouri, and the City of Ozark,
Missouri

CERTIFICATE OF SERVICE

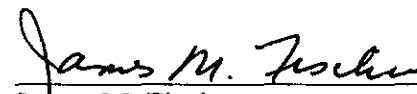
I do hereby certify that a true and correct copy of the foregoing document has been
hand-delivered or mailed, First Class, postage prepaid, this 26th day of February 2002, to:

Dana K. Joyce, General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City MO 65102

Office of the Public Counsel
P.O. Box 7800
Jefferson City MO 65102

Bill Vanvig
Quail Run Water and Land Company
4624 North Quail Run Road
Ozark MO 65721

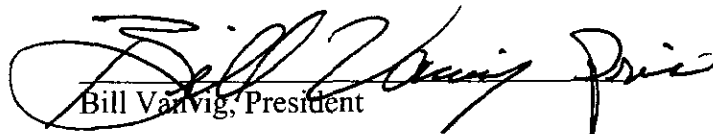
Collin Quigley
City Administrator
City of Ozark
P.O. Box 295
Ozark MO 65721


James M. Fischer

VERIFICATION

STATE OF MISSOURI)
) ss.
COUNTY OF GREENE)

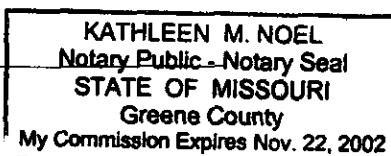
Bill Vanvig, being of age and duly sworn, states that he is President of Quail Run Water and Land Company, and that he has the authority to make this Application for sale of Quail Run Water and Land Company, and that he has read the Application and the allegations contained therein are true and correct according to his best knowledge, information and belief.


Bill Vanvig, President

SUBSCRIBED AND SWORN to before me this 22nd of February 2002.


Notary Public

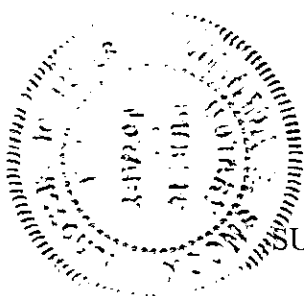
My Commission Expires: _____



VERIFICATION

STATE OF MISSOURI)
) ss.
COUNTY OF CHRISTIAN)

Collin Quigley, being of age and duly sworn, states that he is City Administrator for the City of Ozark, Missouri, and that he has the authority to make this Application for purchase of Quail Run Water and Land Company, on behalf of the Public Funding Corporation of the City of Ozark, Missouri, and that he has read the Application and the allegations contained therein are true and correct according to his best knowledge, information and belief.



Collin Quigley
Collin Quigley, City Administrator

SUBSCRIBED AND SWORN to before me this 15th of February, 2002.

ICIMINDA E. SNOOK
Notary Public

My Commission Expires: 1-24-05

ICIMINDA E. SNOOK Notary Public
Christian County State Of Missouri
My Commission Expires Jan. 24, 2005

STATE OF MISSOURI



Rebecca McDowell Cook
Secretary of State

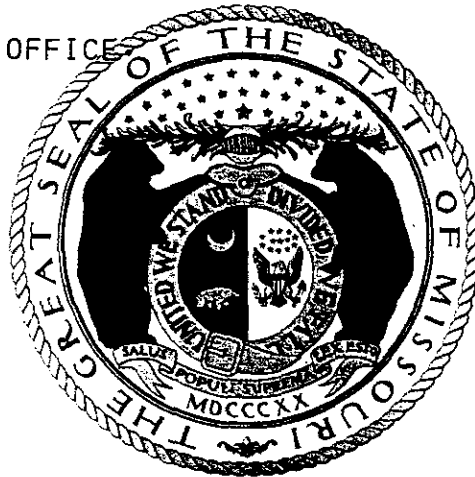
CORPORATION DIVISION
CERTIFICATE OF CORPORATE GOOD STANDING

I, REBECCA MCDOWELL COOK, SECRETARY OF STATE OF THE STATE
OF MISSOURI, DO HEREBY CERTIFY THAT THE RECORDS IN MY OFFICE
AND IN MY CARE AND CUSTODY REVEAL THAT
QUAIL RUN WATER & LAND COMPANY

WAS INCORPORATED UNDER THE LAWS OF THIS STATE ON THE 17TH
DAY OF NOVEMBER, 1989, AND IS IN GOOD STANDING, HAVING FULLY
COMPLIED WITH ALL REQUIREMENTS OF THIS OFFICE.

IN TESTIMONY WHEREOF, I HAVE SET MY
HAND AND IMPRINTED THE GREAT SEAL OF
THE STATE OF MISSOURI, ON THIS, THE
17TH DAY OF MARCH, 1998.

Rebecca McDowell Cook
Secretary of State



STATE OF MISSOURI



Rebecca McDowell Cook
Secretary of State

CORPORATION DIVISION
CERTIFICATE OF CORPORATE GOOD STANDING

I, REBECCA MCDOWELL COOK, SECRETARY OF STATE OF THE STATE OF MISSOURI, DO HEREBY CERTIFY THAT THE RECORDS IN MY OFFICE AND IN MY CARE AND CUSTODY REVEAL THAT
THE PUBLIC FUNDING CORPORATION OF THE CITY OF OZARK, MO.

WAS INCORPORATED UNDER THE LAWS OF THIS STATE ON THE 9TH DAY OF DECEMBER, 1991, AND IS IN GOOD STANDING, HAVING FULLY COMPLIED WITH ALL REQUIREMENTS OF THIS OFFICE.

IN TESTIMONY WHEREOF, I HAVE SET MY HAND AND IMPRINTED THE GREAT SEAL OF THE STATE OF MISSOURI, ON THIS, THE 17TH DAY OF MARCH, 1998.

Rebecca McDowell Cook
Secretary of State



STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (hereinafter the "Agreement"), dated as of the 16th day of November, 2001, between Bill Vanvig and Suzanne Vanvig (hereinafter the "Sellers"), The City of Ozark, a Missouri municipal corporation (hereinafter "City"), and The Public Funding Corporation of the City of Ozark, MO, a Missouri general business corporation (hereinafter "Purchaser").

W-I-T-N-E-S-S-E-T-H:

WHEREAS, Sellers are the record and beneficial owners of all of the issued and outstanding shares of capital stock (the "Shares") of Quail Run Water & Land Company, a Missouri general business corporation (the "Company"), and

WHEREAS, Company is the owner and operator of a of water system consisting of real estate, pipes, mains, machinery, buildings, standpipes, water towers, reservoirs, easements, rights-of-way, water supply, wells, fire hydrants, tools, equipment, pipe fittings, valves, and such other items and real estate used in this business and connected therewith for the successful operation thereof, and

WHEREAS, the water system presently serves the residents of a certain service area, which service area is presently not within the corporate limits of the City of Ozark, Missouri (the "City"), but is identified as an area that may be annexed in the future by the City; and

WHEREAS, City has determined that it is in the best interest of Purchaser to acquire Company which owns the water system in order to assist City in meeting the present needs of the residents of the City and to provide capacity for future growth and protection of the health and sanitation of the City's residents; and

WHEREAS, Sellers have, subject to the conditions set forth herein, agreed to sell and Purchaser, subject to the conditions set forth herein, has agreed to purchase all of the Shares, and

WHEREAS, the parties desire to make provisions for the procedures to be followed in closing this transaction and to specify the terms and conditions of said sale.

NOW, THEREFORE, in consideration of the premises and the representations, warranties and agreements herein contained, the parties hereby agree as follows:

1. **Purchase of Shares.** Subject to the terms and conditions set forth herein, at the closing the Sellers will sell all of the Shares owned by Sellers to Purchaser and the Purchaser will purchase all of the Shares owned by the Sellers from Purchasers, said Shares constituting one hundred percent (100%) of all of the issued and outstanding capital stock of the Company.

2. **Purchase Price.** The purchase price in consideration of said sale shall be three hundred thirty-five thousand and 00/100 Dollars (\$335,000), to be paid in cash at closing.

3. **Contingency of Sale.** It is expressly understood and agreed by the parties hereto that this Agreement and transaction is conditioned only upon approval of the proposed transaction by the Missouri Public Service Commission pursuant to a joint application to the Public Service Commission by the parties hereto and the City of Ozark, Missouri requesting approval of this document and permission for (1) the acquisition of the Shares by Purchaser; (2) the lease of the assets of Quail Run Water & Land Company to the City of Ozark, Missouri, and (3) authority for the City of Ozark, Missouri, to operate and maintain the assets pursuant to a lease purchase agreement between the City of Ozark and Purchaser, and (4) the liquidation and dissolution of Quail Run Water & Land Company. Subject to and limited by paragraph 8.1 hereof, in the event these conditions precedent are not met, then this Agreement shall thereupon become null and void and neither party shall have any further rights or liability hereunder.

4. **Representations and Warranties of Sellers.** Sellers represent and warrant to Purchaser the following facts:

4.1. *Corporate Organization, etc.* Company is a Missouri general business corporation duly organized, validly existing and in good standing under the laws of Missouri with full corporate power and authority to carry on its business as it is now being conducted and proposed to be conducted, and to own, operate and lease its properties and assets. True, complete and correct copies of the Company's articles of incorporation and bylaws and amendments thereto, if any, have been delivered to Purchaser.

4.2. *Subsidiaries and Affiliates.* Company has no subsidiaries.

4.3. *Stock Record Book.* The stock record book of Company, which has been made available to Purchaser for inspection prior to the date hereof, is complete and correct in all material respects.

4.4. *Corporate Record Book, Officers and Directors.* The corporate minute book of Company, which has been made available to Purchaser for inspection prior to the date hereof, is correct in all material respects and contains all of the proceedings of the shareholders and directors of Company. The current sole director of the Company is Bill Vanvig, and the current officers are Bill Vanvig, president and treasurer, and Suzanne Vanvig, secretary. There are no other officers or directors.

4.5. *Capital Stock.* The authorized capital stock of Company consists of sixty thousand (60,000) shares of common stock with a one dollar (\$1.00) par value, all of which shares have been issued and are outstanding to Sellers. All of the outstanding Shares are duly authorized, validly issued and fully paid and nonassessable and are owned solely by Sellers and are not subject to any lien, charge, or encumbrance. On the date of this Agreement, there are no outstanding subscriptions, options, warrants, rights, securities, contracts, commitments, understandings, or arrangements by which Company is bound to issue any additional shares of its capital stock or rights to purchase shares of its capital stock. At the closing, there shall be no such subscriptions, options, warrants, rights, securities, contracts, commitments, understandings, or arrangements outstanding or in effect. The Company is not subject to any obligation (contingent or otherwise) to repurchase or otherwise

acquire or retire any shares of its stock. The Company has not violated any applicable securities laws or regulations in connection with the offer or sale of its securities. Sellers have good and marketable title to the Shares, free and clear of all security interests, liens, encumbrances, or other restrictions or claims, subject only to restrictions as to marketability imposed by securities laws.

4.6. *Authorization, etc.* Sellers have full power and authority to enter into this Agreement and to consummate the transaction contemplated hereby. This Agreement constitutes a legal, valid and binding obligation of Sellers enforceable against Sellers in accordance with its terms. There is no litigation, proceeding or investigation pending or threatened against the Sellers, the Company or its assets or any other person affecting the right of the Sellers or to execute this Agreement or to otherwise comply with the obligations contained herein. No litigation, proceedings or investigations are pending or threatened against Sellers or the Company or the assets or any other person seeking to enjoin the transaction contemplated by this Agreement, or which would in any manner challenge or adversely affect the Sellers right to enter into and carry out the transaction described in or contemplated by or the execution, delivery, validity or performance by the Sellers of this Agreement.

4.7. *No Violation.* The execution, delivery and performance by Sellers of this Agreement, and the fulfillment of and compliance with the respective terms hereof, do not and will not (a) conflict with or result in a breach of the terms, conditions or provisions of, (b) constitute a default or event of default under (with due notice, lapse of time or both), (c) result in the creation of any lien upon Company's capital stock or assets, (d) give any third party the right to accelerate any obligation under, (e) result in a violation of, or (f) require any authorization, consent, approval, exemption or other action by, notice to, or filing with any authority pursuant to, the charter documents or bylaws of Company, or any applicable law, regulation, ordinance or order or any contract to which Sellers or Company or their respective properties are subject. Sellers have complied in all material respects with all applicable laws, regulations, ordinances and orders in connection with the execution, delivery and performance of this Agreement and the transactions contemplated hereby.

4.8. *Compliance with Laws.* The Company has complied with all laws, regulations and ordinances and orders applicable to it and the assets and its operations and neither Sellers or the Company has received no notice to the contrary.

4.9. *Defaults, Claims.*

(i) Neither the Sellers or Company is in default under, and no condition exists that with notice or lapse of time would constitute a default of the Company under (i) any mortgage, loan agreement, evidence of indebtedness, or other instrument evidencing borrowed money to which the Company is a party or by which the Company or the properties of the Company are bound or (ii) any judgment, order, or injunction of any court, arbitrator, or governmental agency that would reasonably be expected to affect materially and adversely the business, financial condition, or results of operations of the Company.

(ii) There are no actions, suits, proceedings, orders, investigations, or claims pending or threatened against the Company or Sellers or any property of either, at law or in equity, or before or by any governmental department, commission, board, bureau, agency, or instrumentality which

would in any way affect or impinge upon title to the stock being sold and conveyed; that neither the Company nor Sellers are subject to any arbitration proceedings under collective bargaining agreements or otherwise or any governmental investigations or inquiries; and there is no basis for any of the foregoing.

(iii) (a) Neither Company's business nor its operation thereof violates any applicable environmental or other law in effect as of the date hereof; (b) Company is in possession of all environmental permits required under any applicable environmental or other law for the conduct or operation of Company's business (or any part thereof), and Company is in full compliance with all of the requirements and limitations included in such environmental permits; (c) Company does not store or use any pollutants, contaminants or hazardous or toxic wastes, substances or materials on or at any such property or facilities; (d) Company has not received any notice or claim from any authority or any private person or entity that the Company's business or the operation of any of its facilities is in violation of any environmental law or any environmental permit or that it is responsible (or potentially responsible) for the cleanup of any pollutants, contaminants, or hazardous or toxic wastes, substances or materials at, on or beneath any of Company's property, or at, on or beneath any land adjacent thereto or in connection with any waste or contamination site; (e) Company is not the subject of federal, state, local or private litigation or proceedings involving a demand for damages or other potential liability with respect to violations of environmental or other laws; and (f) Company has not buried, dumped, disposed of, or spilled or released material quantities of any pollutants, contaminants or hazardous wastes, substances or materials on, beneath or adjacent to any of its property or any property adjacent thereto.

4.10. *Taxes and Returns.*

(i) The Company has prepared in a substantially correct manner and has filed all federal, state, local, and foreign tax returns and reports heretofore required to be filed by it and has paid all taxes, whether shown as due thereon or not. No taxing authority has asserted any deficiency in the payment of any tax or informed Sellers or the Company that it intends to assert any such deficiency or to make any audit or other investigation of the Company for the purpose of determining whether such a deficiency should be asserted against the Company. It is understood and agreed that all taxes (federal, state, income, withholding, F.I.C.A., F.U.T.A., sales tax or otherwise) arising, accruing, or owing by Company up to the date of closing shall remain the obligation of Sellers and Sellers shall protect and save Purchaser and the Company and the City harmless from the payment of any and all taxes for any transaction or event which occurred prior to closing. Sellers and the Company shall deliver to Purchaser all tax returns for the Company for the six (6) years immediately preceding the execution of this Agreement.

(ii) It is understood that it is the intent of Purchaser to immediately dissolve the Company after the closing. Sellers agree to cooperate as fully as possible in the filing of all required state or federal tax returns following the closing and the dissolution. Sellers shall provide to Purchaser an opinion letter from Sellers' certified public accountant confirming Company is current in the payment of all taxes. Sellers are obligated to prepare and timely file proper tax returns for the year 2001. All real estate taxes payable for the year 2001 will

be paid by Sellers or out of Sellers' proceeds and such taxes for the year 2002 shall be prorated to the date of closing.

4.11. *Financial Statements.* Sellers shall deliver to Purchaser all previously prepared and audited year-end balance sheets and statements of income of Company, if any exist, for the fiscal years 1999, 2000 and 2001. Such balance sheets and the notes thereto (if any exist) fairly present the financial position of Company as at the respective dates thereof, and such statements of income and the notes thereto (if any exist) fairly present the results of operations for the periods therein referred to.

4.12. *Assets:*

(i) *Personal Property.* Without material exception, Schedule A or contains lists of all tangible personal property and assets owned or held by the Company and used or useful in the conduct of the business of the Company. The Company owns and has good and marketable title to such properties and none of such properties is subject to any security interest, mortgage, pledge, conditional sales agreement, or other lien or encumbrance, except for liens for current taxes, assessments, charges, or other governmental levies not yet due and payable. The only lease Sellers have on personal property used by the Company is a lease concerning a propane tank which is neither assignable or transferrable. To the best of Sellers' and Company's knowledge, all material properties listed therein are generally in good operating condition and repair (ordinary wear and tear excepted), are performing satisfactorily, and are available for immediate use in the conduct of the business and operations of the Company. To the best of Sellers' and Company's knowledge, all such tangible personal property is in compliance in all material respects with all applicable statutes, ordinances, rules, and regulations. The properties listed in Schedule A include substantially all such personal properties necessary to conduct the business and operations of the Company as now conducted save the aforementioned leased propane tank.

(ii) *Real Property.* Schedule B contains a list of all real property currently owned or leased by the Company and used or useful in the conduct of the business operations of the Company. The Company has good and marketable fee simple title, insurable at standard rates, to all of the real property listed as owned in Schedule B free and clear of all liens, mortgages, pledges, covenants, easements, restrictions, leases, charges, and other claims and encumbrances of any nature whatsoever, and without reservation or exclusion of any mineral, timber, or other rights or interests, except liens for real estate taxes, assessments, charges, or other governmental levies not yet due and payable and except for an unreleased deed of trust in favor of Union Planters Bank (which shall be paid at the time of Closing), easements, rights of way, and restrictions of record. Neither the Sellers or the Company have any executory leases on any real estate affected by this agreement. To the best of the Company's and Sellers' knowledge, all property listed in Schedule B (including improvements thereon) is in satisfactory condition and repair consistent with its present use and is available for immediate use in the conduct of the business of the Company. To the best of the Company's and the Sellers' knowledge, none of the property listed in Schedule B or subject to leases listed in Schedule B violates in any material respect any applicable building or zoning code or regulation of any governmental authority having jurisdiction.

The property and leases described in Schedule B include all such real property or property interests necessary to conduct the business and operations of the Company as they are presently conducted. The aforementioned unreleased deed of trust held by Union Planters Bank shall be paid at closing out of Sellers' proceeds.

(iii) *Accounts Receivable; Inventories.* The accounts receivable of Company reflected in the financial statements and such additional accounts receivable as are reflected on the books of Company on the date hereof are good and collectible. All such accounts receivable are valid, genuine and subsisting, arise out of bona fide sales and deliveries of goods, performance of services or other business transactions and are not subject to defenses, set-offs or counterclaims.

4.13. *Liabilities.* Company does not have any indebtedness or obligation or liability (whether accrued, absolute, contingent, unliquidated or otherwise, whether due or to become due) arising out of transactions entered into, at or prior to the Closing Date, other than: (i) Liabilities set forth in Schedule C, (ii) liabilities and obligations which have arisen in the ordinary course of business (none of which is a liability resulting from breach of contract, breach of warranty, tort, infringement, claim, or lawsuit) and (iii) other liabilities and obligations expressly disclosed in the schedules to this Agreement or in documents delivered to Purchaser pursuant to this Agreement.

4.14 *Insurance.* Company currently has, and through the closing date will have, insurance contracts or policies in full force and effect which, to the best of Sellers' and Company's knowledge, provide for coverages that are usual and customary as to amount and scope of the businesses of Company. Sellers and the Company have delivered to Purchaser a list of all insurance contracts or policies issued within the past five years that relate to liability or excess liability insurance, including the name of the insurer and the types, dates and amounts of coverages.

4.15 *Conduct of Business.* The Company is, in the conduct of its business and operations, in substantial compliance with all laws, statutes, ordinances, regulations, orders, judgments, or decrees applicable to it, the enforcement of which, if the Company was not in compliance therewith, would have a materially adverse effect on the business of the Company taken as a whole. Neither the Sellers nor the Company have received any notice of any asserted present or past failure by the Company to comply with such laws, statutes, ordinances, regulations, orders, judgments, or decrees.

4.16 *Employees.* The Company has no employees.

4.17 *Contracts.* Schedule D hereto sets forth a complete list, including the parties, of all contracts, including leases or guarantees, to which Company is a party. Except as set forth in Schedule E hereto, as of the date hereof, and on the date of closing, Company is not and will not be a party or subject to any written or oral contract or agreement. To the best of Sellers' knowledge, after due inquiry, the Company has performed in all material respects all obligations required to be performed by it and is not in default in any material respect under or in breach of, nor in receipt of any claim of default or breach under, any contract, and no event has occurred which, with the passage of time or the giving of notice or both, would result in a default or breach.

5. **Covenants of Sellers.**

5.1 *Conduct of Business by Company.* From the date hereof until the closing date or the date, if any, on which this Agreement is earlier terminated, Sellers covenant and agree that they have and shall continue to cause Company to:

(i) Conduct its operations according to its ordinary course of business, and to operate its business in accordance with the reasonable judgment of its management diligently and in good faith, consistent with past management practices, and the Company will continue to use its reasonable efforts to keep available the services of present officers and to preserve its present relationships with persons having business dealings with it.

(ii) Not enter into, assume or amend in any material respect any agreement, contract, except in the ordinary course of business without the express written consent of Purchaser.

(iii) Use their best efforts to preserve intact its business organization and goodwill and maintain satisfactory relationships with suppliers, distributors, customers and others having business relationships with it.

(iv) Neither declare nor pay any dividends or distributions (in cash, property or securities) on the Company's outstanding shares of capital stock nor purchase or otherwise acquire or propose to acquire any outstanding shares of its capital stock.

(v) Not issue, or sell, or authorize or propose the issuance or sale of additional shares of common stock or any other class of capital stock, or securities convertible into any such shares, or any rights, warrants or options to acquire any such shares or other convertible securities, or repurchase reacquire, cancel, or redeem any such shares.

(vi) Not amend the Company's articles of incorporation or bylaws.

(vii) To keep or cause to be kept in effect and undiminished the insurance now in effect on its various properties and assets (the same to be canceled effective the day of closing with any refund payable to Sellers), and will purchase such additional insurance, at the Corporation's cost, as the Corporation may request.

(viii) Not merge, consolidate or agree to merge or consolidate.

(ix) Replace or replenish inventory as depleted in the ordinary course of business, and conduct normal maintenance on equipment and properties according to normal maintenance procedures.

(x) Not incur, assume or guarantee any indebtedness;

(xi) Not grant to any employee any promotion, any increase in compensation, or any bonus or other award other than promotions, increases, or

awards that are regularly scheduled in the ordinary course of business or contemplated on the date of this Agreement or that are, in the reasonable judgement of management of the Company.

(xii) To continue to comply in all material respects with all statutes, laws, ordinances, rules, and regulations applicable to it in the ordinary course of business.

5.2 Access to Information. Between the date of this Agreement and closing, Sellers covenant and agrees that they shall give Purchaser and its authorized representatives (including lenders) reasonable access at reasonable times to all of Company's plants, offices, warehouses and other facilities and to all of its books and records. In addition, Sellers covenant and agree that they shall permit Purchaser and its authorized representatives to make such inspections as they may reasonably require and shall cause its officers to furnish Purchaser, and its authorized representatives, as the case may be, with such financial and operating data and other information with respect to the business and properties of Company as Purchaser and its authorized representatives may from time to time reasonably request.

5.3 Indemnifications.

(i) Sellers and Purchaser agree to indemnify and hold harmless one another from any and all loss, damage and liability sustained, suffered or incurred by any party hereto as a result of the breach of any representation, warranty, covenant or agreement by any other party to this Agreement. Sellers, City and Purchaser shall save and hold harmless one another from all reasonable costs, expenses, attorney fees and court costs which Sellers, City or Purchaser may incur as a result of the foregoing.

(ii) Any claim arising from the immediately preceding provision, whether for indemnification or breach, must be made in writing to the offending party not later than three (3) years from the date of closing or be barred.

(iii) The representatives, warranties, conditions and covenants made in this Agreement shall survive Closing for a period of three (3) years and shall be unaffected by any investigation by any party at any time.

6. Closing.

6.1 Time and Place. The closing shall take place within twenty (20) days next following approval of the Public Service Commission. The closing date may be extended with the consent of Sellers. Closing shall take place at the City Hall, Ozark, Missouri or such other places as the parties may mutually agree. In no event shall this Agreement become null, void or unenforceable except as expressly provided under Section 8.1 hereof.

6.2 Deliveries at Closing. On the closing date, Sellers shall deliver to Purchaser stock certificate No. 1 evidencing and representing all the issued and outstanding capital stock of the Company, all of which is being sold hereunder, duly endorsed in blank or accompanied by stock

powers duly executed in blank in proper form for transfer. In addition, Sellers shall deliver the Company's minute book, the original articles and certificate of incorporation and bylaws, all original amendments thereto, and all the corporation's minutes. Purchaser shall deliver to Sellers certified funds for the full purchase price and a certified resolution of Purchaser authorizing the execution of this Agreement and the performance hereunder, in a form reasonably satisfactory to Sellers. Sellers agree at closing to resign their corporate offices they currently hold for the Company.

6.3 Conditions Precedent to Obligations of Purchaser. Subject to the provisions of paragraphs 8.1 and 9.5 hereof, Purchaser's obligation to close under this Agreement shall be subject to the satisfaction, on or prior to closing, of the following conditions, any of which may be waived at the option of Purchaser:

(i) There shall have been no material breach by Sellers in the performance of any of their covenants herein and Sellers shall have fully performed their covenants herein.

(ii) The representations and warranties of Sellers contained or referred to in this Agreement shall be true and correct in all material respects on closing as if made anew as of closing (except for changes occurring in the ordinary course of business).

(iii) There shall not have been issued and be in effect any injunction restraining or prohibiting consummation of the transactions contemplated by this Agreement.

(iv) All corporate action necessary to authorize the execution, delivery and performance of this Agreement by Sellers and the consummation of the transactions contemplated hereby shall have been duly and validly taken, and a good standing certificate and certified copies of all Board of Directors resolutions authorizing the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby shall be delivered to Purchaser.

(v) Sellers shall have obtained all consents, approvals, orders, permits, licenses or other authorizations required by any applicable law or regulation.

(vi) There shall have been no material adverse change in the business, operations or assets of the Company since the date of this Agreement or any damage, destruction, or loss, whether covered by insurance or not, materially adversely affecting the properties or business of the Company.

(vii) There has not been any sale or transfer by the Company of any tangible or intangible asset other than in the ordinary course of business, any mortgage or pledge or the creation of any security interest, lien, or encumbrance on any such asset, or any lease of property, including equipment, other than tax liens with respect to taxes not yet due and contract rights of customers in inventory.

(viii) There shall not have been any declaration, setting aside, or payment of a distribution in respect of or the redemption or other repurchase by the Company of any stock

of the Company.

(ix) There shall not have been any material transaction not in the ordinary course of business of the Company.

(x) There shall not have been the lapse of any material trademark, assumed name, trade name, service mark, copyright, or license or any application with respect to the foregoing.

(xi) There shall not have been the grant of any increase in the compensation of officers or employees (including any such increase pursuant to any bonus, pension, profit-sharing, or other plan) other than customary increases on a periodic basis or required by agreement or understanding in the ordinary course of business and in accordance with past practice.

(xii) There shall not have been the discharge or satisfaction of any material lien or encumbrance or the payment of any material liability other than current liabilities in the ordinary course of business.

(xiii) There shall not have been the making of any material loan, advance, or guaranty to or for the benefit of any person except the creation of accounts receivable in the ordinary course of business.

(xiv) There shall not have been an agreement to do any of the foregoing.

(xv) All corporate and other proceedings in connection with the transaction contemplated hereby and all documents and instruments incident to such transactions shall be reasonably satisfactory in substance and form to Purchaser's counsel, and Company shall have made available to Purchaser for examination the originals or true, complete and correct copies of all records and documents relating to the business and affairs of Company which Purchaser may reasonably request in connection with said transaction.

(xvi) Sellers shall have furnished Purchaser with such other and further documents and certificates, including certificates of Company's officers and others, as Purchaser shall reasonably request in light of customary practice in transactions of this kind to evidence compliance with the conditions set forth in this Agreement.

(xvii) The Board of Aldermen of the City of Ozark, Missouri and the Board of Directors of Purchaser shall have approved this document and the transaction contemplated hereby.

6.4 *Conditions Precedent to Obligations of Sellers.* The obligations of Sellers under this Agreement shall be subject to the fulfillment on or prior to closing of the following conditions, any of which may be waived at the option of Sellers:

(i) Purchaser shall have fully performed its covenants herein.

(ii) The representations and warranties of Purchaser contained or referred to in this Agreement shall be true and correct in all material respects on closing as if made anew as of closing.

(iii) There shall not have been issued and be in effect any injunction restraining or prohibiting consummation of the transactions contemplated by this Agreement.

(iv) Purchaser shall have obtained all consents, approvals, orders, permits, licenses or other authorizations required by any applicable law or regulation.

(v) All corporate action necessary to authorize the execution, delivery and performance of this Agreement by Purchaser and the consummation of the transaction contemplated hereby shall have been duly and validly taken, and good standing certificates and certified copies of all Board of Directors and shareholder resolutions authorizing the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby shall be delivered to Sellers.

(vi) All corporate and other proceedings in connection with the transactions contemplated hereby and all documents and instruments incident to such transactions shall be reasonably satisfactory in substance and form to Sellers' counsel, and Purchaser shall have made available to Sellers for examination the originals or true, complete and correct copies of all records and documents relating to the business and affairs of Purchaser which Sellers may reasonably request in connection with said transaction.

(vii) Purchaser shall have furnished Sellers with such other and further documents and certificates, including certificates of Purchaser's officers and others, as shall reasonably request in light of customary practice in transactions of this kind to evidence compliance with the conditions set forth in this Agreement.

(viii) Sellers shall execute at closing good and proper resignations of all offices they may now or hereafter hold in connection with the Company.

(ix) Sellers and/or Company shall execute at closing a good and proper dismissal with prejudice of the legal action now pending in the Circuit Court of Christian County, Missouri, Case No. CV199-996 CC, and shall likewise execute a good and proper release of any and all claims they may have which were or might have been brought in said legal action, it being understood that said dismissal and release shall be prepared by and at the sole cost of Purchaser.

7. Post-Closing.

7.1 *Ownership of Company.* All operations, accounts, expenses (except as set out herein), income, and cash on hand pertaining to the water system herein for any period subsequent to the date and hour of closing shall be the for the entitlement of Purchaser and the Company.

7.2 *Additional Documentation.* Sellers agree that they will, at any time and from time to time after the closing upon request of the Purchaser or the City, execute, acknowledge, and deliver, or will cause to be executed, acknowledged, and delivered, all such further acts, deeds, assignments, transfers, and conveyances as maybe required in conformity with this Agreement or for aiding and assisting in collecting and reducing to possession, any or all of the assets or property to be assigned or conveyed to the Corporation as provided herein. Further, Sellers have no authority under this Agreement to act as the Company's agent and will cooperate in good faith with the Purchaser and Company in making it known to the public that Sellers are not acting as the Corporation's agent.

8. Termination.

8.1 *Events of Termination.* In the event that the approval of the Public Service Commission of the State of Missouri (hereinafter, "PSC"), sought pursuant to paragraph 3 hereof, has been denied, then, if both parties agree in writing, this Agreement shall be terminated without liability to either party. However, Sellers shall have the option of converting this transaction to a purchase of assets format and, in that event, City, Purchaser and Sellers shall jointly resubmit this transaction for approval by the PSC in that format. If the PSC again denies the resubmitted request for approval, this Agreement may be terminated by any party without liability.

8.2 *Specific Performance.* The parties hereto acknowledge that damages may be an inadequate remedy for a breach of this Agreement and that the obligations of the parties shall be specifically enforceable but the availability of specific performance shall in no way limit the availability of damages.

9. Miscellaneous.

9.1 *Notices.* All notices and other communications required or permitted hereunder shall be in writing and, unless otherwise provided in this Agreement, shall be deemed to have been duly given when delivered to the addressees specified below:

(i) If to Purchaser to:

The Public Funding Corporation of the City of Ozark, Missouri

With a copy to:

Carson W. Elliff, Esq.
Yates, Mauck, Bohrer, Elliff, Croessmann & Wieland, P.C.
3333 E. Battlefield Suite 1000
Springfield, MO 65804

With a copy to:

City of Ozark
C/O Mark E. Orr, Esq.
206 N. 1st Street

Ozark, MO 65721

(ii) If to Sellers to:

Bill and Suzanne Vanvig
4620 N. Quail Road
Ozark, MO 65721

With a copy to: Gary E. Bishop, Esq.
Mann, Walter, Bishop & Lippelman, P.C.
3734 South Avenue
Springfield, MO 65807

or to such other address as any party may from time to time designate by like notice.

9.2 *Expenses.* If the transaction is closed as a stock purchase, Sellers shall at closing pay to Purchaser the sum of \$2,500.00 to cover Purchaser's expenses occasioned thereby. In all other respects, except as expressly provided herein, each party shall pay any expenses incurred to consummate the transaction provided for herein.

9.3 *Successors and Assigns.* This Agreement shall be binding upon and inure to the benefit of Purchaser, Sellers and their respective successors and permitted assigns, but shall not be assignable or delegable in whole or in part without the prior written consent of all parties, which shall not be unreasonably withheld.

9.4 *Waiver.* Purchaser and Seller, by written notice to the other, may (a) extend the time for performance of any of the obligations or other actions of the other under this Agreement, (b) waive any inaccuracies in the representations or warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement, (c) waive compliance with any of the conditions or covenants of the other contained in this Agreement, or (d) waive or modify performance of any of the obligations of the other under this Agreement; provided, however, that no party may without the consent of the other make or grant such extension of time, waiver of inaccuracies or compliance, or waiver or modification of performance with respect to its own obligations, representations, warranties, conditions, or covenants hereunder. Except as provided in the preceding sentence, no action taken pursuant to this Agreement shall be deemed to constitute a waiver of compliance with any representations, warranties, covenants or agreements contained in this Agreement and shall not operate or be construed as a waiver of any subsequent breach, whether of a similar or dissimilar nature.

9.5 *Entire Agreement.* This Agreement, together with the Schedules, which are expressly incorporated herein, and the schedules and exhibits hereto, are merely intended to supplement, rather than supersede, the prior agreement of the parties and their privies reached on or about the 16th day of November, 2001. In the event of any conflict between the terms hereof and the terms of the agreement reached on the 16th of November, the latter shall control. Except as herein specifically limited, this Agreement constitutes the entire agreement between the parties.

9.6 Amendments, Supplements. This Agreement may be amended or supplemented at any time by additional written agreements, as may mutually be determined by the parties hereto to be necessary, desirable or expedient to further the purposes of this Agreement, or to clarify the intention of the parties hereto.

9.7 Limitations on Rights of Other Persons. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon or give any person, firm, or entity other than the parties hereto any rights or remedies under or by reason of this Agreement or any transaction contemplated hereby, except as herein otherwise provided.

9.8 Applicable Law. This Agreement, being entered into in the State of Missouri, and the legal relations among the parties hereto shall be governed by and construed in accordance with the substantive laws of the State of Missouri, without giving effect to the principles of conflict of laws thereof. The parties consent to the subject matter and personal jurisdiction of the Circuit Court of the County of Christian County, Missouri for all matters arising under this Agreement.

9.9 Execution in Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

9.10 Titles and Headings. Titles and headings to sections herein are inserted for convenience of reference only, and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

9.11 Recovery of Litigation Cost. If any legal action or other proceeding is brought by any party hereto against the other party for the enforcement of this Agreement or because of an alleged dispute, default or misrepresentation in connection with the provisions of this Agreement, the prevailing party shall be entitled to recover from the other party reasonable attorney fees and other costs incurred in that action or proceeding, in addition to any other relief to which it may be entitled.

9.12 Severability. If any provision of this Agreement shall be held or deemed to be, or shall in fact be, illegal, inoperative or unenforceable, the same shall not affect any other provision contained herein, or render the same invalid, inoperative or unenforceable to any extent whatsoever.

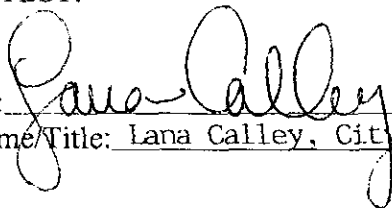
9.13 No Realtor. Neither party hereto has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders' fees in connection with the transactions contemplated hereby. Each party will indemnify and hold the other harmless, including attorneys fees and court costs, from any claims made through that party for any such claim.

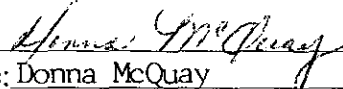
IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers on the date last below written but effective the date last above written.

CITY

THE CITY OF OZARK, MO

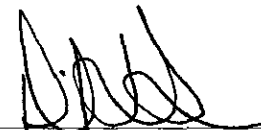
[SEAL]
ATTEST:

By: 
Name/Title: Lana Calley, City Clerk

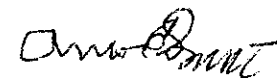
By: 
Name: Donna McQuay
Title: Mayor

PURCHASER

THE PUBLIC FUNDING CORPORATION
OF THE CITY OF OZARK, MO

By:  PRES
Name: Daniel L. Serven
Title: President

[SEAL]
ATTEST:

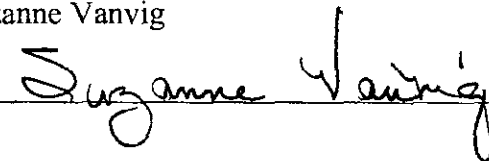
By: 
Name/Title: Amos Smith

SELLERS

Bill Vanvig



Suzanne Vanvig



SCHEDULE A

LIST OF ASSETS - PERSONAL PROPERTY

1. 1 30,000 gallon steel storage tank manufactured by Montgomery Metalcraft, Inc.
2. 1 Ten-horsepower Jacuzzi pump
3. 7 in-line bladder pressure tanks (5 Challenger and 2 Well-trol)
4. 3 Three-horsepower, 220, 5 phase in-line pressure pumps (2 in service, 1 reserve)
5. 1 Fifty gallon Norus Chemical Tank
6. 2 Chem-Tech chemical metering pumps series 100/024 with extra fittings
7. 2 Square D/in-line water pump pressure switches
8. 1 in-line pressure gauge (100 psi)
9. 1 Furnas magnetic starter with ambient compliance o.l. relay
10. 1 Hach test kit with permachem reagents (DPD)
11. 1 Kent 2 inch in-line meter (spare)
12. 1 gallon pipe lube
13. 1 electric wall back-up heater
14. 1 propane wall heater (non-electric) for power failure protection
15. 1 propane furnace with AC
16. 1 leased propane tank (lease not assumable)
17. 1 spare water meter
18. 2 Four inch sleeve couplings (splice) schedule #40
19. 3 Two inch sleeve couplings (splice) schedule #40
20. 1 Ten horsepower 3 phase well pump (needs to be checked out)
21. Miscellaneous parts, couplings, switches, etc.
22. Meter drums with lids (see map)
23. 105 Zurn & Sensus water meters in service
24. 105 current user accounts
25. Cash on hand in account at Union Planters Bank

SCHEDULE B

LIST OF ASSETS - REAL PROPERTY AND FIXTURES

- Well house and state approved well on 100 x 85 property, the legal description of which is as follows:

A Tract of land situated in Lot 2 of the Fractional NW¼ of Section 7, Township 27 North, Range 20 West, and the E½ of the NE¼ of Section 12, Township 27 North, Range 21 West, all being in Christian County, Missouri, being more particularly described as follows: Beginning at the Southeast Corner of Lot 28 QUAIL RUN SUBDIVISION PHASE II as per the recorded plat thereof, recorded in Plat Book "G" at page 155 Christian County, Missouri; Thence North 02 degrees 21 minutes 00 seconds East, along the East line of said Lot 28 a distance of 52.04 feet; Thence South 87 degrees 39 minutes 00 seconds East, leaving said East line of Lot 28 a distance of 103.25 feet; Thence South 02 degrees 21 minutes 00 seconds West, a distance of 100.00 feet; Thence North 87 degrees 39 minutes 00 seconds West, a distance of 103.72 feet to a point on the East line of Lot 29 of said QUAIL RUN SUBDIVISION PHASE II; Thence North 02 degrees 54 minutes 25 seconds East, along said East line a distance of 47.96 feet to the point of beginning, containing 10,336.00 square feet of land, more or less, subject to all easements and restrictions of record.

- Approximately 18,018.97 feet of waterlines itemized as follows: 6,361.93 feet of 2 inch; 7,885.82 feet of 4 inch; and 3,771.22 feet of 6 inch.
- Utility easements for water lines outside of Quail Run Phase III (copies provided to Purchaser).

SCHEDULE C

LIST OF LIABILITIES

(To be paid by Sellers)

- Promissory note dated 9 September 2000 in the original principal amount of \$25,000 held by Union Planters Bank secured by a deed of trust on the well house described in Schedule B. Payoff balance as of 27 Jan 2002 is \$24,282.42. Per diem interest \$4.698240555
- Account payable to Empire District Electric for electrical power as of 27 Jan 2002 (\$262.00)
- Account payable to Christian County Gas for tank lease and fuel as of 27 Jan 2002 (\$200.00)
- Columbia Mutual Insurance (GCL) (premium paid through 7 Mar 2002)
- Accounting services billed by Keith Robinette, C.P.A. through 27 Jan 2002 (\$850.00)
- Legal services provided by Mann, Walter, Bishop & Lippelman, P.C. (amount confidential)

SCHEDULE D
LIST OF CONTRACTS

- 105 existing water customer accounts

DRAFT

LEASE AGREEMENT

By and Between

THE CITY OF OZARK, MISSOURI

and

THE PUBIC FUNDING CORPORATION OF THE CITY OF OZARK, MO.

Dated as of _____

\$335,000
The Public Funding Corporation of the City of Ozark, MO
(Quail Run Project)

*Yates, Mauck, Bohrer, Elliff, Croessmann & Wieland, P.C.
Southwest Bancshares Financial Center, Suite 1000
3333 East Battlefield Road
Springfield, Missouri 65804
(417) 883-7411*

Special Counsel

DRAFT

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DRAFT

LEASE AGREEMENT

THIS LEASE AGREEMENT, and amendments or supplements hereto entered into in accordance herewith and the exhibits hereto (collectively the "**Lease**") dated as of _____, entered into by and between The Public Funding Corporation of the City of Ozark, Mo., a not-for-profit corporation organized under and existing by virtue of the laws of the State of Missouri as Lessor hereunder (the "**Corporation**"), and the City of Ozark, Missouri, hereunder as lessee (the "**City**") a body corporate and politic and political subdivision of the State of Missouri duly organized and existing under the Constitution and the laws of the State of Missouri;

WITNESSETH:

WHEREAS, the Corporation is a not-for-profit corporation duly organized and existing under The General Not-for-Profit Corporation Law, Chapter 355 of the Revised Statutes of Missouri, 1994, as amended, for the purpose of benefitting and carrying out the purposes of the City, by providing for the acquisition, construction, improvement, extension, repair, remodeling, renovation and financing of real estate, buildings, facilities, furnishings and equipment for the use of the City in the discharge of its public purposes; and

WHEREAS, the City is a duly created, organized and existing political subdivision of the State of Missouri, existing as such under and by virtue of the Constitution and laws of the State of Missouri and is authorized pursuant as to the Revised Statutes of the State of Missouri (the "**Act**") to (i) abolish, erect, purchase, hold, sell, or otherwise dispose of property or lease any property, real or personal and (ii) to permit the Corporation to acquire, construct, improve, extend, repair, remodel, renovate, furnish and equip buildings and facilities located on any real property in which it has an interest, and then lease back or purchase such sites, buildings and facilities from the Corporation; and

WHEREAS, this Lease shall not directly or indirectly obligate the City to make any payments, (including Rental Payments as hereafter defined), beyond those appropriated for the City's then current fiscal year; and

WHEREAS, since the City has no obligation to make any payments, (including Rental Payments as hereafter defined), under this Lease beyond those appropriated for the City's then current fiscal year, the election requirements and other limitations of law concerning the creation of indebtedness by the City, are inapplicable to this Lease; and

WHEREAS, this Lease is for the benefit of the public and is in furtherance of the public purpose of the City and the execution, performance and delivery of this Lease has been authorized, approved and directed by the Board of Aldermen of the City.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants and conditions hereafter set forth and herein contained, the Corporation and the City agree as follows:

ARTICLE I DEFINITIONS AND EXHIBITS

Section 1.01. Rules of Construction and Definitions. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa, and words importing person shall include firms, associations and corporations, including public bodies, as well as natural persons. In this Lease, unless the context otherwise requires:

1. Articles and Sections referred to by number shall mean the corresponding Articles and Sections of Lease.

2. The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms refer to this Lease, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of execution and delivery of this Lease.

3. Any Fiduciary shall be deemed to have received delivery of and to hold any governmental obligation in which moneys are invested pursuant to the provisions of this Lease, even though such Governmental Obligation is evidenced only by a book entry or similar record of investment.

4. References in this Lease to particular sections of the Act or any other legislation shall be deemed to refer also to any successor sections thereto or other redesignation for codification purposes and shall be deemed to include any related regulations.

5. The terms "receipt," "received," "recovery," "recovered" and any similar terms, when used in this Lease with respect to moneys or payments due, shall be deemed to refer to the passage of physical possession and control of such moneys and payments to the Corporation.

6. The terms "the Corporation" or "the City" or reference to either of them shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or lawfully performing their functions.

7. Any reference to a section or provision of the Constitution of the State, or to the Act or to a section, provision or chapter of the Act shall include such section, provision or chapter as from time to time amended, modified, revised, supplemented or superseded; provided that no such change in said Constitution or State laws shall be applicable solely by reason of this provision if such change would constitute an impairment of the rights or obligations of the City or the Corporation under this Lease.

8. "Rental Payments" as used herein shall include all rents, issues, profits, revenues, royalties, rights and benefits whatsoever to which the Corporation is entitled under this Lease (including 'Additional Rental Payments', as hereinafter defined).

Section 1.02. Schedules. The following Schedules are attached to and by reference made a part of this Lease:

- Schedule 1; a description and definition of the Project;
- Schedule 2; indicating the date, amount and specified Rental Payments coming due during the Lease Term;
- Schedule 3: showing as of specified dates, the price at which the Corporation may prepay the unpaid Rental Payments in accordance with Article VI.

ARTICLE II REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.01. Representations, Covenants and Warranties of the Corporation. The Corporation represents, covenants and warrants as follows:

1. The Corporation is a non-profit corporation duly organized, existing and in good standing under and by virtue of the laws of the State of Missouri; the Corporation has all necessary power and authority to enter into and perform its duties under this Lease; has full power and authority to cause the Project to be acquired pursuant to this Lease; is possessed of full power to own and hold real and personal property, and to lease the same as lessor, as herein contemplated; and has duly authorized the execution and delivery of this Lease.

2. The Corporation acknowledges and joins in the representations, covenants and warranties set forth in paragraphs (b), (d), (e) and (g) of Section 2.02 hereof. The Corporation has authorized the execution, delivery, and due performance of this Lease and the taking of any and all action as may be required on the part of Corporation to carry out, give effect to and consummate the transactions contemplated by this Lease, and all approvals, notifications, filings, recordings and registrations necessary in connection with the foregoing have been

received or made, as the case may be, and the Corporation shall do or cause to be done all things necessary to preserve their existence and to keep them in full force and effect.

3. Neither the execution and delivery of this Lease, the consummation of the transactions contemplated hereby, nor the fulfillment by the Corporation of, or compliance by the Corporation with, the terms and conditions hereof violates any provision of law or conflicts with, or results in a breach of, or default under the terms, conditions or provisions of, any regulatory, contractual or other restriction on the Corporation, or agreement or instrument of whatever nature to which the Corporation is now a party or by which it is bound.

4. There is no action, suit or proceeding pending, or, to the knowledge of the Corporation threatened, against or affecting the Corporation before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which would in any way adversely affect the validity or enforceability of this Lease or of the transactions contemplated hereby.

5. The Corporation, acting through the agency of the City, will complete the acquisition, construction, extension and improvement of the Project from the proceeds of a loan from Ozark Bank, Ozark, Missouri (the "Lender") in the amount of \$335,000 evidenced by a Promissory Note dated _____ (the "Note"). The City has estimated the Project Costs to be approximately \$335,000, which estimate has been approved by the Board of Aldermen of the City and the City has agreed that all Project Costs in excess of such \$335,000 will be borne by the City.

6. The Corporation acknowledges and recognizes that this Lease will be terminated at the end of the Lease term in the event that sufficient funds are not budgeted and appropriated by the City, specifically with respect hereto to continue paying all Rental Payments and Additional Rentals during the next occurring Renewal Term hereof and that the acts of such budgeting and appropriating funds are legislative acts and, as such, are solely within the discretion of the Board of Aldermen of the City and cannot be delegated.

7. Nothing in this Lease shall be construed so as to require the Corporation to operate the Project other than as lessor or to require the City to exercise its right to purchase the Project as provided in Section 6.04 hereof. The Corporation shall have no authority to operate the Project as a business or in any manner except as a lessor thereof.

8. To finance the costs of the Project, the Corporation proposes to lease the Project to the City with Rental Payments to be paid on the dates and in the amounts shown on Schedule 2 attached hereto with the Rental Payments assigned to the Lender pursuant to the Assignment dated as of _____ (the "Assignment").

9. By Resolution duly adopted, the Board of Directors of the Corporation duly authorized the execution, delivery and performance of this Lease, the Note, the Assignment and other related documents (collectively, the "Financing Documents") and to enter into the transactions contemplated by the Financing Documents and to carry out its obligation thereunder.

10. No member of the Board of Directors of the Corporation or any officer of the Corporation is an officer or employee of the City or any of its boards or agencies, and further, no officer or employee of the City has any financial interest, direct or indirect in this Lease or the Water System.

Section 2.02. Representations, Covenants and Warranties of the City. The City represents, covenants and warrants as follows:

(a) The City is a political subdivision and body politic duly organized and existing under the Constitution and laws of the State. The City is authorized by the Revised Statutes of Missouri and by Ordinance duly passed by the Board to execute, deliver and perform this Lease and to enter into the transactions contemplated by this Lease, and to carry out its obligations thereunder.

(b) The financing of the Water System is to be accomplished by the Corporation on behalf of the City as provided in Article V of this Lease.

(c) Neither the execution and delivery of the Lease, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any written restriction or any agreement or instrument by which the City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien or encumbrance whatsoever upon any of the property or assets of the City.

(d) To the knowledge of the City, there is no litigation or proceeding pending or threatened against the City or any other person affecting the right of the City to execute this Lease, or the ability of the City to make payments required thereunder or to otherwise comply with the obligations contained herein.

(e) The Water System will be operated by the City to comply with all applicable building and zoning ordinances and regulations, if any. No member of the Board or any other officer of the City has any significant or conflicting interest, financial, employment or otherwise, with the Corporation, the Water System or in the transactions contemplated hereby.

(f) In authorizing and executing this Lease, the City has complied with all public bidding and other State and Federal Laws applicable to this Lease and the acquisition of the Water System by the City.

(g) The City will not pledge, mortgage or assign this Lease or any interest in the Water System, or its duties and obligations hereunder to any other person, firm or corporation, except to the Lender as provided under the terms of this Lease. No mortgage, security interest or other lien (including without limitation claims by or judgments against the City and liens arising out of any agreement or instrument to which the City is a party or by which it is bound), which now covers or affects, the Water System or any interest therein, shall during the term of this Lease attach to the Water System, or in any manner to City's right and interest under this Lease.

(h) The Water System will be used during the term of this Lease only to carry out the public purposes of the City and will, with such changes and additions as may be made hereunder, result in substantial and needed improvements and additions to the facilities of the City, all as more fully described on Schedule 1 attached hereto, to be used by the City for governmental purposes.

(i) The City is legally obligated during the Initial Term and agrees to make the Rental Payments as due during such period under this lease; provided that the Corporation and the City agree and hereby state their intention that nothing in this Lease shall be construed to require the City to operate the Water System other than as a lessee, or to require the City to exercise its right to purchase the Water System as provided in Section 6.05 hereof.

ARTICLE III GRANTING PROVISION

Section 3.01. Granting of Estate. The Corporation hereby rents, leases and lets the Water System to the City, and the City hereby rents and leases the Water System from the Corporation, subject to Permitted Encumbrances, for the Rental Payments and upon and subject to the terms and conditions herein contained.

Section 3.02. Commencement of Lease Term; Renewals.

(a) Initial Term. This Lease shall become effective upon its delivery, and subject to earlier termination pursuant to the provisions of this Lease, shall have an initial term (the "**Initial Term**") commencing as of the date of this Lease and terminating _____ upon the expiration of the Initial Term.

(b) Renewal Terms. This Lease may be extended and the Lease term continued, solely at the option of the City, for up to twenty (20) successive renewal terms thereafter. Each renewal term (the "**Renewal Term**") shall be for a period of up to one year commencing on _____ of the year following the expiration of any prior Lease term and extended to _____ of the same year. The final Renewal Term shall commence on _____, and shall terminate on or before _____. In the event that the City shall determine, for any reason, not to renew this Lease, the City shall give written notice to such effect to the Corporation not later

than December 1 of the Initial Term or then current Renewal Term; provided, however, that a failure to give such notice shall not prevent the City from declining to renew this Lease, nor result in any liability on the part of the City. The City's option to renew or not to renew this Lease shall be conclusively determined by whether or not the Board of Aldermen of the City has, on or before November 1, of the Initial Term or of any Renewal Term, budgeted and appropriated, specifically with respect to the Rental Payments hereunder, moneys sufficient to pay all the Rental Payments and reasonably estimated Additional Rentals for such ensuing Renewal Term, all as further provided in Article VI hereof. The budgetary officer of the City or any other officer at any time charged with the responsibility of formulating budget proposals is hereby directed to include in the budget proposals submitted to the Board, in any year in which this Lease shall be in effect, items for all Rental Payments and Additional Payments required for the ensuing Renewal Term under this Lease; it being the intention of the Board of Aldermen of the City that the decision to renew or not to renew this Lease shall be made solely by the Board of Aldermen of the City and not by any other official of the City. The City shall in any event, whether or not this Lease is to be renewed, furnish the Corporation with copies of its annual budget promptly as the same is prepared for consideration of the Board of Directors of the City and after the budget is adopted.

In order for the City to exercise the option to renew this Lease, the City shall deliver to the Corporation, on or before December 1 in each year during the period when the Note is outstanding, a copy of a Resolution or Ordinance adopted by the Board of Directors of the City and certified by the Secretary of the Board of Directors of the City, which Resolution shall:

- (a) authorize the renewal of this Lease for an additional Renewal Term; and
- (b) irrevocably budget and appropriate funds in an amount sufficient to pay the anticipated Rental Payments and Additional Payments to become due during the forthcoming Renewal Terms, as specified in the notice delivered to the Lender pursuant to Section 6.01 hereof.

The terms and conditions of this Lease shall apply during any Renewal Term, except that the Prepayment Price, and the Rental Payments shall be as provided in Schedule 2, as it may be amended hereunder.

Section 3.03. Termination of Lease Term. The Lease Term shall terminate upon the earliest of any of the following events:

- (a) The expiration of the Initial Term or any Renewal Term not accompanied by a valid exercise of the City's right to renew the Lease.
- (b) The expiration of the Initial Term or any Renewal Term during which there occurs an Event of Non-Appropriation (which is not thereafter waived) pursuant to this Lease;
- (c) An Event of Default and termination of the Lease Term under Article XIII of this Lease;
- (d) On _____ which date constitutes the last day of the final possible Renewal Term of this Lease, or such later date as all Rental Payments and Additional Rentals required hereunder shall be paid.

Termination of the Lease Term shall terminate all obligations of the City under this Lease and shall terminate the City's rights of possession under this Lease (except to the extent of any conveyance pursuant to Section 6.04 of this Lease); but all other provisions of this Lease shall be continuing.

Section 3.04. Intent to Continue Lease Term; Appropriations. The City presently intends to continue this Lease until its termination _____ and to pay all Rental Payments specified in Schedule 2 hereto. The budgetary officer of the City will use all reasonable and lawful means at his disposal to secure the appropriation of money for each Renewal Term hereunder sufficient to pay the Rental Payments coming due therein under this Lease. The budgetary officer of the City believes that moneys in an amount sufficient to pay all such Rental Payments can and will lawfully be appropriated and made available for this purpose and agrees to use his best efforts to secure such continuing appropriations. A copy of the City's proposed budget will be provided to the Corporation by _____ of each year during the Lease Term.

Section 3.05. Effect of Termination. Upon termination of this Lease as provided in Section 3.03 hereof, the City shall not be responsible for the payment of any additional Rental Payments coming due with respect to succeeding Fiscal Years. However, in consideration of use of the Water System by the City through the end of the Fiscal Year in which the City uses the Water System, the City shall pay to the Corporation on the last day of such Fiscal Year such pro rata portion of the Rental Payments coming due immediately following the end of such Fiscal Year as relates to the period of time from the last Rental Payment Date (as shown on Schedule 2) to the end of such Fiscal Year. If the City has not delivered possession of the Water System to the Corporation in accordance with Section 6.07 and conveyed the Water System and the real property on which it is located to the Corporation or released its interest, if any, in the Water System within 15 days after the termination of this Lease, the termination shall nevertheless be effective, but the City shall be responsible for the payment of damages in an amount equal to the amount of the Rental Payments thereafter coming due under Schedule 2 which are attributable to the number of days after such termination of the Lease during which the City fails to take such actions and for any other loss suffered by the Corporation as a result of the City's failure to take such actions as required.

ARTICLE IV ENJOYMENT OF THE Water System

Section 4.01. Enjoyment and use of the Water System.

(a) The Corporation covenants and agrees that as long as the City shall not be in default under this Lease and an Event of Non-Appropriation has not occurred, the City shall have sole and exclusive possession and use and enjoyment of the Water System (subject to the Corporation's right of access to inspect the Water System during the City's business hours). The Corporation covenants and agrees that it will not take any action, other than pursuant to Articles V, VI and XIII of this Lease, to prevent the City from having quiet and peaceable possession and enjoyment of the Water System during the Lease term and will, at the request and expense of the City, cooperate with the City in order that the City may have quiet and peaceable possession and enjoyment of the Water System.

(b) The Corporation shall have a right of access to inspect the Water System throughout the Lease term during the City's business hours.

(c) Subject to the provisions of this Section, the City shall have the right to use the Water System for any lawful purpose. The City shall comply with all statutes, laws, ordinances, orders, judgments, decrees, regulations, directions and requirements of all federal, state, local and other governments or governmental authorities, now or hereafter applicable to the Water System as to the manner and use or the condition of the Water System. The City shall also comply with the mandatory requirements, rules and regulations of all insurers under the policies required to be carried by the provisions of Article VII hereof. The City shall pay all costs, expenses, claims, fines, penalties and damages that may in any manner arise out of, or be imposed as a result of, the failure of the City to comply with the provisions of this Section. Notwithstanding any provision contained in this Section, however, the City shall have the right, at its own cost and expense, to contest or review by legal or other appropriate procedures the validity or legality of any such governmental statute, law, ordinance, order, judgment, decree, regulation, direction or requirement, or any such requirement, rule or regulation of an insurer, and during such contest or review, the City may refrain from complying therewith, if the City furnishes on request of the Corporation, at the City's expense, indemnity satisfactory to the Corporation.

ARTICLE V ACQUISITION OF THE Water System

Section 5.01. Execution and Delivery of the Documents. In order to the funds to pay the Water System Costs, the Corporation agrees that it will execute and deliver this Lease, the Note, and other related documents.

Section 5.02. Water System Acquisition. The City and the Corporation agree that the Water System will be acquired by the Corporation from Quail Run Water and Land Company, a Missouri Corporation (the "Seller") pursuant to the terms of the Stock Purchase Agreement dated November 16, 2001 by and between the Corporation and the Lender.

ARTICLE VI PAYMENTS BY CITY

Section 6.01. Payment of Rental Payments.

(a) On or prior to the date of delivery of this Lease and the Note, the City shall irrevocably budget and appropriate the amount of Rental Payments as shown on Schedule 2, due or coming due during the Initial Term of this Lease.

(b) The City covenants and agrees that, during each Renewal Term in effect, it will pay to the Rental Payments at such time and in such amounts which shall be sufficient to pay principal of, premium, if any, and interest on the Note at the next Payment Date. All Rental Payments provided for in this Section shall be paid by the City directly to the Lender for the account of the Corporation to be used and applied by the Lender in the manner and for the purposes set forth in the herein. The estimated amount of the Rental Payments is set forth on Schedule 2 attached hereto and incorporated herein by reference. All Rental Payments shall be paid to the Lender in immediately available funds in accordance with the terms hereof.

Section 6.02. Payments to Constitute Currently Budgeted Expenditures of the City. The City and the Corporation acknowledge and agree that the Rental Payments hereunder shall constitute currently budgeted expenditures of the City. The City's obligation under this Lease shall be from year to year only (as further provided in Sections 3.02, 3.03 and 6.08 hereof), and shall not constitute an indebtedness, liability or a mandatory payment obligation of the City in any ensuing Fiscal Year. Since the City has no obligation to make any payment under this Lease, beyond those appropriated for the City's then current Fiscal Year, the election requirements and other limitations of law concerning the creation of indebtedness by the City are inapplicable to this lease. No provision of this Lease shall be construed or interpreted as creating a general obligation or other indebtedness of the City within the meaning of any constitutional or statutory debt limitation. This Lease shall not directly or indirectly obligate the City to make any payments beyond those currently appropriated by the Resolution for the City's then current Fiscal Year. The City shall be under no obligation whatsoever to exercise its option to purchase the Water System. No provision of this Lease shall be construed to pledge or to create a lien on any class or source of City moneys, nor shall any provision of the Lease restrict the future issuance of any bonds by the City or any other obligations payable from any class or source of City moneys or revenues. There shall be credited against the amount of Rental Payments otherwise payable by the City hereunder amounts equal to earnings derived from the investment of any funds on deposit hereunder with Corporation during the construction period.

Notwithstanding any provision or covenant contained in this Lease or the Note, the City is not obligated to renew the Lease beyond any current Lease term, nor is the City obligated to budget or appropriate moneys or to make Rental Payments beyond the end of the Lease term in effect at a given date and the City shall be under no obligation to levy taxes in order to raise revenues to make Rental Payments.

Nothing in this Lease shall be construed to release the Corporation from the performance of any agreement on its part herein contained or as a waiver by the City of torts or claims which the City may have against the Corporation under this Lease or otherwise, but any recovery of such rights and claims shall be had from the Corporation solely, it being the intent of this Lease that the City shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants under this Lease (including the obligation to make Rental Payments and Additional Payments), for the benefit of the Owner and Holder of the Note, but only during a given Lease term. The City may, however, at its own costs and expense and in its own name or the name of the Corporation, prosecute and defend any action or proceeding or take any other action involving any person or persons which the City deems reasonably necessary in order to secure or protect its right of action, occupancy and use hereunder, and in such event the Corporation hereby agrees to cooperate fully with the City and to take all action necessary to effect the cooperation of the City for the Corporation in any action or proceeding if the City shall so elect.

Section 6.03. Manner of Payment. The Rental Payments and, if paid, the Prepayment Price as shown on Schedule 3 shall be paid in immediately available funds in lawful moneys of the United States of America to the Corporation. The obligation of the City to pay the Rental Payments and Additional Rentals required under this Article and other Articles hereof, during the Lease Term, shall be absolute and unconditional, and payment of the

Rental Payments and Additional Rentals shall not be abated through accident or unforeseen circumstances. Notwithstanding any dispute between the Corporation and the City, or any other person, the City shall, during the Lease Term, make all payments of Rental Payments and Additional Rentals when due and shall not withhold any Rental Payments or Additional Rentals pending final resolution of such dispute (except to the extent permitted by Sections 6.05 and 9.05 hereof with respect to certain Additional Rentals), nor shall the City assert any right of set-off or counterclaim against its obligation to make such payment required hereunder. No action or inaction on the part of the City shall affect the City's obligation to pay all Rental Payments and Additional Rentals (except to the extent provided by Sections 6.05 and 9.05 hereof with respect to certain Additional Rentals), during the Lease Term.

Section 6.04. Option to Demand Conveyance of Title. The City shall have, the option to demand that, the Corporation convey to the City unencumbered fee title to the Water System at any time, upon the City giving written notice to the Corporation, specifying thereon the date of closing such purchase, which date shall be not less than 30 nor more than 45 days from the date when such notice is mailed. The purchase price payable by the City in the event of the option granted in this Section shall be the sum of the following:

- (a) an amount of money which, when added to the amount then on deposit with the Lender will be sufficient to redeem all of the then outstanding obligations, including all accrued interest, of the Corporation shown on Schedule 2 attached to the Lease (the amount of the Prepayment Purchase Price shown on Schedule 3); plus
- (b) an amount of money equal to the amount of the Additional Rentals accrued and to accrue until such prepayment; plus
- (c) the sum of \$1.00.

At the closing of the purchase option, the Corporation shall, upon receipt of the payment of the prepayment sum, deliver to the City documents conveying to the City legal title to the Water System, as it exists on the date of the conveyance, and shall remit payment to the Lender in an amount sufficient to pay off the Note.

The option shall be and remain prior and superior to the right of the Assignment and may be exercised by the City whether or not the City is in default under this Lease provided that such default will not result in non-fulfillment of any condition to the exercise of any such option and further provided that all options herein granted shall terminate upon the termination of this Lease.

The City hereby agrees to accept conveyance of and the Corporation hereby agrees to convey, title to the Water System to the City, at the expiration of the Lease Term following full payment of the Prepayment Purchase Price shown on Schedule 3 or provision for such payment having been made.

Section 6.05. Additional Rentals. The City covenants and agrees to pay Additional Rentals during the Initial Term and any Renewal Term as herein provided. All Additional Rentals shall be paid by the City on a timely basis directly to the person or entity to which such Additional Rentals are owed.

In the event that the Water System or any portion thereof shall, for any reason, be deemed subject to taxation, assessments or charges lawfully made by any governmental body, the City shall, during the Lease Term, pay the amount of all such taxes, assessments and governmental charges then due as Additional Rentals. With respect to special assessments or other governmental charges which may be lawfully paid in installments over a period of years, the City shall be obligated to provide for Additional Rentals only for such installments as are required to be paid during the Initial Term or any Renewal Term. The City shall not allow any liens for taxes, assessments or governmental charges to exist with respect to the Water System, or any portion thereof which, if not paid, could become a charge the Water System or any portion thereof, or any interest therein, including the interest of the City or the rentals and revenues derived therefrom or hereunder. The City shall also pay as Additional Rentals, as the same respectively become due, all gas, maintenance, licensing, inspection and other charges incurred in the maintenance and upkeep of the Water System.

The City may, at the expense and in the name of the City and on written notice to the Corporation, in good faith contest any such charges and, in the event of any such contest, may permit such charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the City that, in the opinion of legal counsel, by non-payment of any such items the security afforded pursuant to this Lease will be materially endangered or the Water System or any portion thereof will be subject to loss or forfeiture, or the Corporation will be subject to liability, in which event such charges shall be paid forthwith (provided, however, that such payment shall not constitute a waiver of the right to continue to contest such charges).

Section 6.06. Expression of City's Need for the Water System; Determination As Fair Market Value and Fair Purchase Price. The City hereby declares its current need for the Water System and further declares that the assistance of the Corporation, as provided herein, is for a public purpose and qualified governmental purpose as defined in the Code. The City further declares that the Water System is necessary for the public safety and welfare and essential to the City in the performance of its lawful governmental functions. The City hereby determines that the Rental Payments do not exceed a reasonable amount so as to place the City under an economic compulsion to renew this Lease. In making such determinations the City has given consideration to the uses and purposes for which the Water System will be employed by the City, the benefit to the City by reason of the acquisition of the Water System and the use and operation of the Water System pursuant to the terms and provisions of this Lease and the City's option to purchase the Water System. The City hereby determines and declares that the acquisition of the Water System and the leasing of the Water System pursuant to this Lease will result in facilities of comparable quality and meeting the same requirements and standards as would be necessary if the acquisition of the Water System were performed by the City other than pursuant to this Lease. The City hereby determines and declares that the period during which the City has an option to purchase the Water System (i.e., the maximum term of this Lease including all Renewal Terms) does not exceed the useful life of the Water System.

Section 6.07. Non-Appropriation. In the event that the Board shall not budget and appropriate, specifically with respect to the Rental Payments, on or before November 1 of each year, moneys sufficient to pay all Rental Payments and the reasonably estimated Additional Rentals coming due for the then current Renewal Term hereunder, an Event of Non-Appropriation shall be deemed to have occurred hereunder. In the event that during the Initial Term or any Renewal Term, any Additional Rentals shall become due which were not included in the City's current budget, or which exceed the amounts which were included therefor in the City's current budget, then, in the event the moneys are not specifically budgeted and appropriated to pay such Additional Rentals within 30 days subsequent to the date upon which such Additional Rentals are due, an Event of Non-Appropriation shall be deemed to have occurred.

If an Event of Non-Appropriation occurs, the City shall not be obligated to make payment of the Rental Payments or Additional Rentals or any other payments provided for hereunder beyond the then current Lease term. Upon December 1st of any such year in which an Event of Non-Appropriation shall occur, this Lease shall terminate.

The Corporation may in all events require the City to vacate the Water System within 15 days after the occurrence of an Event of Non-Appropriation.

Section 6.08. Unconditional Obligation. Subject to the provisions of Section 6.07 hereof, and except as otherwise provided in this Lease, the obligations of the City to make payment of the Rental Payments and Additional Rentals and to perform and observe the other covenants and agreements contained herein shall be absolute and unconditional in all events. Notwithstanding any dispute between the City and the Corporation or any other person, the City shall pay all of the Rental Payments when due and shall not withhold any Rental Payments pending final resolution of such dispute nor shall the City assert any right to set off or counterclaim against its obligation to make such payments required under this Lease.

Section 6.09. Qualification as Small Governmental Unit; Designation of the Note as a Qualified Tax Exempt Obligation. The City represents and warrants that (a) it is a governmental unit under Missouri law with general taxing powers; (b) the obligation due under the Note is not a private activity bond as defined in Section 141 of the Code; (c) 95% or more of the net proceeds of the Note will be used for local governmental activities of the City; and (d) the aggregate face amount of all tax exempt bonds (other than private activity bonds) issued

by the City (and all subordinate entities thereof) during the calendar year 2002 is not reasonably expected to exceed \$10,000,000. The City hereby covenants that the City and all its subordinate entities will not issue in excess of \$10,000,000 of tax exempt bonds (including the Note, but excluding private activity bonds) during the calendar year 2002 without first obtaining an opinion of nationally recognized counsel in the area of municipal finance that the excludability of the interest on the bonds from gross income for federal tax purposes will not be adversely affected.

The City and the Corporation hereby designates the Note as a "qualified tax-exempt obligation" as defined in Section 265(b)(3)(B) of the Code. The aggregate face amount of all tax exempt obligations (excluding private activity bonds other than qualified 501(c)(3) bonds) issued or to be issued by the City (and all subordinate entities thereof) during calendar year 2002 is not reasonably expected to exceed \$10,000,000. The City hereby covenants that the City and all its subordinate entities will not issue in excess of \$10,000,000 of qualified tax exempt obligations (including the Note but excluding private activity bonds other than qualified 501(c)(3) bonds) during the calendar year 2002 without first obtaining an opinion of nationally recognized counsel in the area of municipal finance that the designation of the Note as a qualified tax exempt obligations will not be adversely affected.

Section 6.10. Arbitrage Covenant. The City covenants and agrees that it will not make or cause or permit to be made, whether by the Corporation or otherwise, any use of the proceeds of the Note and the Rental Payments which, if such use had been reasonably expected on the date of the execution and delivery of this Lease and the Note, which would cause the Lease or the Note to be "arbitrage obligations" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended. The City further covenants and agrees that it will comply with and will take all action reasonably required to insure that the Lender complies with all applicable requirements of said Section 148 and the rules and regulations of the United States Treasury Department promulgated thereunder for so long as any of the payments due under this Lease or the Note, including interest thereon and any applicable redemption premium, remain Outstanding and unpaid.

Section 6.11. Tax Exempt Status.

(a) The Corporation covenants that it shall: (i) maintain its status as a not-for-profit corporation, with its activities and purposes limited to those permitted by Chapter 355 of the Revised Statutes of the State of Missouri, 1994, as amended; (ii) not permit its income to inure to the benefit of any private person; (iii) not permit the original and investment proceeds (as these terms are defined in Revenue Procedure 82-26) of the this Lease or the Note to be used for any purpose other than to provide tangible real and tangible personal property, in accordance with Revenue Procedure 82-26; and (iv) after the Note has been paid, convey unencumbered fee title to the Water System back to the City.

(b) The City covenants that: (i) it has adopted an Ordinance generally approving the purposes and activities of the Corporation, and specifically approving the execution and delivery of the Note and the Deed of Trust to finance the Water System, which Ordinance was adopted within one (1) year of the date of this Lease (ii) it has adopted an Ordinance authorizing the execution and delivery of this Lease and which recognized the execution and delivery of the Note and the Assignment, (iii) it shall use the proceeds of Note, in accordance with this Lease, solely to provide tangible real and tangible personal property (as those terms are defined in Revenue Procedure 82-26), and (iv) it has in the Lease, required that the Corporation convey back to the City unencumbered fee title to the Water System when all of the Rental Payments have been paid.

ARTICLE VII MAINTENANCE, TAXES, INSURANCE AND INDEMNIFICATION

Section 7.01. Liability Insurance. Upon receipt of possession of the Water System, the City shall take such measures as may be necessary to ensure that any liability for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the condition or the operation of the Water System or any part thereof, is covered by a blanket or other general liability insurance policy maintained by the City. The Net Proceeds of all such insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which any Net Proceeds may be paid.

Section 7.02. Property Insurance. Upon receipt of possession of the Water System or any portion thereof, the City shall have and assume the risk of loss with respect thereto. The City shall procure and maintain continuously in effect during the term of this Lease, all-risk insurance, subject only to the standard exclusions contained in the policy, in such amount as will be at least sufficient so that a claim may be made for the full replacement cost of any part of the Water System damaged or destroyed and to pay the applicable Prepayment Price of the Water System. Such insurance may be provided by a rider to an existing policy or under a separate policy. Such insurance may be written with customary deductible amounts. The Net Proceeds of insurance required by this Section shall be applied to the prompt repair, restoration or replacement of the Water System or to the purchase of the Water System, as provided herein. Any Net Proceeds not needed for those purposes shall be paid to the City.

Section 7.03. Worker's Compensation Insurance. If required by state law, the City shall carry Worker's Compensation Insurance covering all employees on, in, near or about the Water System, and upon request, shall furnish to the Corporation certificates evidencing such coverage throughout the term of this Lease.

Section 7.04. Requirement for All Insurance. Section 7.04. Requirements For All Insurance. All insurance policies (or riders) required by this Article shall be taken out and maintained with responsible and highly-rated insurance companies under the laws of one of the states of the United States and qualified to do business in the State; and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least 30 days before the cancellation or revision becomes effective. All insurance policies or riders required by Sections 7.01 and 7.02 shall name the City and the Corporation as insured parties, and any insurance policy or rider required by Section 7.03 shall name the City as the insured party. The Lender shall be named as an additional insured under any policies required by Section 7.02. The City shall deposit with the Corporation policies (and riders) evidencing any such insurance procured by it, or a certificate or certificates of the respective insurers stating that such insurance is in full force and effect. Before the expiration of any such policy (or rider), the City shall furnish to the Corporation evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article, unless such insurance is no longer obtainable in which event the City shall notify the Corporation of this fact.

Section 7.05. Provisions Regarding Casualty, Public Liability and Property Damage. The City shall cause casualty and property damage insurance to be carried and maintained with respect to the Water System in the amount of \$335,000 or the replacement cost of the Water System whichever is greater. Each such insurance policy may have a deductible clause in an amount not to exceed \$1,000. The Water System may be insured under a blanket insurance policy which insures not only the Water System, but other property owned by the City and used in conjunction with the Water System as well, as long as such blanket insurance policy complies with the requirements of this Lease and contains a waiver of co-insurance.

Upon the execution and delivery of this Lease, the City shall, at its own expense, cause comprehensive liability and property damage insurance to be carried and maintained with respect to the activities to be undertaken by and on behalf of the City in connection with the use of the Water System. Such comprehensive, liability and property damage insurance shall be in an amount not less than \$335,000. The public liability insurance required by this Section may be by a blanket insurance policy.

Any casualty and property damage insurance policy required by this Section provided by the City shall be so written or endorsed as to make losses, if any, payable to the City, the Corporation and the Lender. Each insurance policy provided for in this Section shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the City and the Corporation and approved by the Lender, without first giving written notice thereof to the City, Corporation and the Lender at least thirty (30) days in advance of such cancellation or modification. All insurance policies issued pursuant to this Section shall be deposited with the Corporation. No agent or employee of the City shall have the power to adjust or settle any loss with respect to the Water System, whether or not covered by insurance, without the prior written consent of the Corporation.

Section 7.06. Indemnification. The City assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Water System or any portion thereof and for injury to or death of any person or damage to any property, in any manner arising out of or incident to any possession, use, operation or condition

of the Water System or any portion thereof, whether such injury or death be with respect to agents or employees of the City or of third parties, and whether such property damage be to the City's property or the property of others. The City hereby assumes responsibility for and agrees to indemnify, protect, save and keep harmless the Corporation from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorney's fees) of whatsoever kind and nature, imposed on, incurred by or asserted against the Corporation that in any way relate to or arise out of the possession, use, operation or condition of the Water System or the financing related thereto, unless caused by the Corporation or its agents, to the maximum extent permitted by law.

Section 7.07. Damage to or Destruction of Water System. If after delivery of the Water System or any portion thereof to the City, all or any part of the Water System is lost, stolen, destroyed or damaged beyond repair, the City shall as soon as practicable after such event either: (i) replace the same at the City's sole cost and expense, such replacement to be of equal or greater value to the Water System or any portion thereof, if applicable, immediately prior to the time of the loss occurrence, such replacement to be subject to the Corporation's reasonable approval, whereupon such replacement shall be substituted in this Lease by appropriate endorsement; or (ii) pay the applicable Prepayment Price for the Water System as set forth in Schedule 3. The City shall notify the Corporation of which course of action it will take within 15 days after the loss occurrence. If the City fails or refuses to notify the Corporation within the required period, the Corporation may, at its option, declare the applicable Prepayment Price of the Water System set forth in Schedule 3 immediately due and payable, and the City shall be obligated to pay the same. The Net Proceeds of all insurance payable with respect to the Water System shall be available to the Corporation and shall be used to discharge the City's obligation under this Section. On payment of the Prepayment Price, this Lease shall terminate and the City thereupon shall become entitled to the Water System **AS IS, WITHOUT WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE CITY**, except that the Water System shall not be subject to any lien or encumbrance created by or arising through the Corporation on the date of this Lease.

Section 7.08. Maintenance, Repairs and Utilities.

(a) The City shall throughout the Lease Term and at its own expense (i) keep and maintain the Water System and all part thereof in good repair and operating condition, making from time to time all necessary repairs thereto and renewals and replacements thereof, and (ii) keep the Water System and all parts thereof in safe condition and free from filth, nuisance or conditions unreasonably increasing the danger of fire.

(b) The City shall contract in its own name and pay for all utilities and utility services used by the City in, or about the Water System, and the City shall, at its sole costs and expense, procure any and all permits, licenses or authorizations necessary in connection therewith.

**ARTICLE VIII
SALE OF SYSTEM;
ADDITIONS, MODIFICATIONS AND OTHER OBLIGATIONS OF THE CITY**

Section 8.01. Sale of Certain Portions of Water System.

(a) Notwithstanding any other provision of this Lease, but subject to the provisions of subsection (b) and (c) of this Section, the City reserves the right at any time to either (i) purchase from the Corporation the unencumbered fee title to any one or more portions of the Water System, at a price agreed to by the City, the Corporation and the Lender, subject to the terms of the Note and the Deed of Trust, or (ii) surrender possession of any such Water System and direct the Corporation to sell or dispose of such Water System, either by negotiated private sale or by public sale.

(b) In the case of a disposition pursuant to either clause (i) or (ii) of subsection (a) above, the proceeds of the sale shall be deposited by the Corporation with the Lender for credit to the payment of the Note.

(c) If the City elects to dispose of any portion of the Water System pursuant to this Section, the following procedures must be followed:

(i) The Board of Aldermen of the City shall adopt an ordinance which shall contain the following provisions:

- (a) adequate legal description of the portion of the Water System to be sold;
- (b) if the Water System is to be sold, an order directing the Corporation to sell the portion of the Water System and specifying the method of sale (either by private or public sale) and a recital of the agreed to value of such Water System;
- (c) if the City intends to purchase the Water System, a declaration of such intent and a recital of the appraised value of such Water System or portion thereof;
- (d) if the City intends to purchase the Water System, an appropriation by the City of funds sufficient to pay the appraised price of the Water System and the incidental costs;
- (e) authorization for an officer of the City to execute and deliver and to record such instruments and documents as are necessary to effect the transaction.

(ii) The Board of Directors of the Corporation shall take action in accordance with the direction of the City to sell the Water System and shall deposit the proceeds of such sale with the Lender for credit to the Bond Fund.

(a) No sale or disposition of the Water System pursuant to this Section shall entitle the City to any reimbursement of any Rental Payments or Additional Payments from the Corporation or the Lender, nor shall the City be entitled to any abatement or diminution in Rental Payments or Additional Payments under this Lease, except such diminution as results from redemption of the Note from the proceeds of such disposition pursuant to subsection (b) of this Section.

Section 8.02. Use; Permits. The City shall exercise due care in the installation, use, operation and maintenance of the Water System, and shall not install, use, operate or maintain the Water System improperly, carelessly, in violation of any State and Federal Law or for a purpose or in a manner contrary to that contemplated by this Lease. The City shall obtain all permits and licenses necessary for the installation, operation, possession and use of the Water System. The City shall comply with all State and Federal Laws applicable to the installation, use, possession and operation of the Water System, and if compliance with any such State and Federal Law requires changes or additions to be made to the Water System, such changes or additions shall be made by the City at its expense. The City shall exclusively operate, manage and maintain the Water System as a part of its combined waterworks and sewerage system.

Section 8.03. Maintenance of Water System and Collection of Fees by the City. Pursuant to applicable ordinances of the City, the City shall, at its own expense, maintain, preserve and keep the Water System in good repair, working order, condition and/or operation, shall from time to time make all repairs and replacements necessary to keep the Water System in such condition, and collect all charges and fees as permitted by law. The Corporation shall have no responsibility for any of these repairs or replacements. In any event the City shall for the term of this Lease and at its own expense, maintain, preserve and keep the Water System in such repair, working order, condition and/or operation as is necessary to provide for the payment of all Rental Payments required to be paid by the City hereunder.

Section 8.04. Taxes and Other Governmental Charges. Except as expressly limited by this Section, the City shall pay all taxes and other charges of any kind which are at any time lawfully assessed or levied against or with respect to the Water System, the Rental Payments or any part thereof, or which become due during the term of this Lease, whether assessed against the City or the Corporation. The City shall also pay when due all gas, insurance, maintenance, licensing, titling and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Water System, and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Water System; provided that with respect to special assessments or other governmental charges that may lawfully be paid during the term of this Lease as and when

the federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate, or other similar tax payable by the City, its successors or assigns, unless such tax is made in lieu of or as a substitute for any tax, assessment or charge which is the obligation of the City under this Section.

The City may, at its own expense and in its own name, in good faith contest any such taxes, assessments, utility and other charges and notify the Corporation of such good faith contest and, in the event of any such contest, may permit the taxes, assessments, utility or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the City that, in the opinion of legal counsel, by non-payment of any such items the interest of the Corporation in the Water System will be materially endangered or the Water System or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments, utility or other charges or provide the Corporation with full security against any loss which may result from non-payment, in form satisfactory to the Corporation.

Section 8.05. Advance. If the City shall fail to perform any of its obligations under this Article, the Corporation may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the City shall be obligated to repay all such advances on demand with interest at the rate of 2% per annum in excess of the rate being charged by the Corporation as the interest rate on the Note or the maximum rate permitted by law, whichever is less, from the date of the advance to the date of repayment.

ARTICLE IX DAMAGE, DESTRUCTION AND CONDEMNATION

Section 9.01. Damage and Destruction.

(a) If during the Lease term, the Water System is damaged or destroyed, in whole or in part, by fire or other casualty, to such extent that the claim for loss (including any deductible amount pertaining thereto) resulting from such damage or destruction is greater than \$10,000, the City shall promptly notify the Corporation in writing as to the nature and extent of such damage or loss and whether it is practicable and desirable to rebuild, repair, restore or replace such damage or loss.

(b) If the City shall determine that such rebuilding, repairing, restoring or replacing is practicable and desirable, the City shall proceed promptly with and complete with reasonable dispatch such rebuilding, repairing, restoring or replacing of the property damaged or destroyed so as to place said Water System in substantially the same condition as existed prior to the event causing such damage or destruction, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the City and will not impair the utility of the Water System. In such case, any Net Proceeds of casualty insurance required by Section 7.01 hereof and received with respect to any such damage or loss to such Water System, if such Net Proceeds exceed \$10,000, shall be deposited into a separate account and shall be used and applied in accordance with the disbursement requirements of Section 5.02 hereof for the purpose of paying the costs of such rebuilding, repairing, restoring or replacing such damage or loss. If said Net Proceeds are not sufficient to pay in full the costs of such replacement, repair, rebuilding or restoration, the City shall nonetheless complete the work thereof and shall pay that portion of the costs thereof in excess of the amount of said Net Proceeds.

(c) If the City shall determine that rebuilding, repairing, restoring or replacing such Water System is not practicable and desirable, any Net Proceeds of casualty insurance required by Section 7.01 hereof and received with respect to any such damage or loss to such Water System shall be used to pay the Note on the earliest possible redemption date or to pay the principal and interest on any payment date on the Note as the same becomes due. The City agrees to be reasonable in exercising its judgment pursuant to this subsection (c).

(d) The City shall not, by reason of its inability to use all or any part of such Water System during any period in which such Water System is damaged or destroyed, or is being repaired, rebuilt, restored or replaced, or by reason of the payment of the costs of such rebuilding, repairing, restoring or replacing, be entitled to any reimbursement from the Corporation, the Lender or any abatement or diminution of the rentals payable by the City under the Lease or of any other obligations of the City under this Lease except as expressly provided in this Section.

Section 9.02. Condemnation or Insured Deficiency of Title.

(a) In the event that title to all or any portion of the Water System is challenged or threatened by means of competent legal or equitable action, the City covenants that it shall cooperate with the Corporation and the Lender and shall take all reasonable actions, including where appropriate the lawful exercise of the City's power of eminent domain, or order of quiet title to such Water System in the Corporation. If title to all or a portion of any Water System is found to be deficient or non-existent by a court of competent jurisdiction, the City covenants that it shall, in such an event, deposit with the Lender for the account of the Corporation an amount equal to the Prepayment Value (or a pro-rata portion thereof, as appropriate), of such Water System. Under this Lease, the Lender is obligated to use such amounts for the payment of the Note at the earliest possible date.

(b) If during any Lease Term title to all or part of any Water System is condemned by any authority having the power of eminent domain, the condemnation proceeds shall be deposited with the Lender in an amount equal to the amount of such proceeds and shall be used by the Lender to pay the Note.

(c) The Corporation shall cooperate fully with the City in handling and conduct of any prospective or pending condemnation proceedings with respect to the Water System or any part thereof, and shall, to the extent the Corporation may lawfully do so, permit the City to litigate in any such proceeding in the name and on behalf of the Corporation. In no event will the Corporation voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Water System or any part thereof without the written consent of the City.

Section 9.03. Title. Upon termination of this Lease for the reason specified in Section 3.03 (c), full and unencumbered legal title to the Water System shall revert and be conveyed to the City, and the Corporation shall have no further interest therein. In such event the Corporation shall execute and deliver to the City such documents as the City may request to evidence the passage of legal title to the Water System to the City and the termination of the Corporation's interest therein, and upon request by the City, shall deliver possession of the Water System to the City in accordance with Section 13.03. Upon termination of this Lease for any of the other reasons specified in Section 3.03, the City's leasehold or other interest in the Water System shall terminate, and the City shall execute and deliver to the Corporation such documents as the Corporation may request to evidence the termination of the City's leasehold or other interest in the Water System.

Section 9.04. Security Interest. The Corporation shall have and retain a security interest under the Uniform Commercial Code in all portions of the Water System that are deemed personal property pursuant to applicable law, the proceeds thereof and all repairs, replacements, substitutions and modifications thereto or thereof made pursuant to Section 9.07, and a security interest in the proceeds of all insurance policies, in order to secure the City's payment of all Rental Payments due during the term of this Lease and the performance of all other obligations herein. The City will not cause or suffer to exist any mortgage, pledge, lien, charge, statements or interest in the Water System adverse to the Corporation, and will perform such acts as the Corporation may request to establish and maintain a valid security interest in the Water System. If requested by the Corporation, the City shall conspicuously mark such portions of the Water System with appropriate lettering, labels or tags, and maintain such markings during the term of this Lease, so as clearly to disclose the Corporation's security interest in such portion of the Water System. The City shall at all times execute and deliver to the Corporation such documents as may be required to identify the Water System or the lien of the Corporation in and to any part of the Water System.

Section 9.05. Liens. During the term of this Lease, the City shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Water System, which is adverse to the interest of the Corporation provided. Except as expressly provided in Section 8.04 and this Article, the City shall promptly, at its own expense, take such action as may be necessary duly to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time. The City shall reimburse the Corporation for any expense incurred by the Corporation in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 9.06. Installation of the City's Equipment. The City may at any time and from time to time, in its sole discretion and at its own expense, install other items of equipment in or upon the Water System, which

items shall be identified by tags or other symbols affixed thereto as property of the City. All such items so identified shall remain the sole property of the City, in which the Corporation shall have no interest, and may be modified or removed by the City at any time provided that the City shall repair and restore any and all damage to the Water System resulting from the installation, modification or removal of any such items. Nothing in this Lease shall prevent the City from purchasing items to be installed pursuant to this Section under a conditional sale or lease-purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Water System.

Section 9.07. Modification of Water System. The City shall, at its own expense, have the right to make repairs to the Water System, and to make repairs, replacements, substitutions and modifications to all or any of the parts thereof. All such work and any part or component used or installed to make a repair or as a replacement, substitution or modification, shall thereafter comprise part of the Water System and be subject to the provisions of this Lease. Such work shall not in any way damage the Water System or cause it to be used for purposes other than those authorized under the provisions of State and Federal Law or those contemplated by this Lease; and the Water System, upon completion of any such work shall be of value which is not less than the value of the Water System immediately prior to the commencement of such work. Any property for which a replacement or substitution is made pursuant to this Section may be disposed of by the City in such manner and on such terms as are determined by the City. The City will not permit any mechanic's or other lien to be established or remain against the Water System for labor or materials furnished in connection with any repair, replacement, substitution or modification made by the City pursuant to this Section; provided that if any such lien is established and the City shall first notify the Corporation of the City's intention to do so, the City may in good faith contest any lien filed or established against the Water System, and in such event may permit the liens so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Corporation shall notify the City that, in the opinion of legal counsel, by non-payment of any such item the interest of the Corporation in the Water System will be materially endangered or the Water System or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay and cause to be satisfied and discharged all such unpaid items or provide the Corporation with full security against any such loss or forfeiture, in form satisfactory to the Corporation. The Corporation will cooperate fully with the City in any such context, upon the request and at the expense of the City.

Section 9.08. Reports of Modifications. The City shall promptly report to the Corporation any changes in or modifications made to the Water System. The City shall have the privilege, as provided in Section 9.07, of making substitutions, additions, modifications and improvements to the Water System, at its expense; provided that such remodeling, substitutions, additions, modifications and improvements shall not in any way damage the Water System or cause the Water System and the Water System to be used for purposes other than approved by the City in its plan.

The City shall not do, or permit others under its control to do, any work in or about the Water System or related to any repair, rebuilding, restoration, replacement, alteration of or addition to the Water System, or any part thereof, unless all requisite municipal and other governmental permits and authorizations shall have first been procured and paid for. All such work shall be done in a good and workmanlike manner and in compliance with all applicable building, zoning and other laws, ordinances, governmental regulations and requirements and in accordance with the requirements, rules and regulations of all insurers under the policies required to be carried under the provisions of this Lease.

Section 9.09. Use of Water System. The City will use the Water System for a qualified governmental purpose of the City throughout the Lease Term and will not permit any person not also a governmental unit to become the principal user of the Water System throughout the Lease Term.

ARTICLE X Water System WARRANTIES

Section 10.01. Selection of Water System. The Water System has been selected by the City, and the Corporation shall have no responsibility in connection with the selection of the Water System, or its suitability for the use intended by the City.

Section 10.02. Installation and Maintenance of Water System. The Corporation shall have no obligation to acquire, test, inspect, operate, service or maintain the Water System or any portion thereof under any circumstances, but such actions shall be the obligation of the City.

Section 10.03. Contractor's Warranties. The Corporation hereby assigns to the City for and during the term of this Lease, all of its interest in all contractors' or Lender' warranties and guarantees, express or implied, issued on or applicable to the Water System, and the Corporation hereby authorizes the City to obtain the customary services furnished in connection with such warranties and guarantees at the City's expense.

Section 10.04. Patent Infringement. The City hereby assigns to the Corporation for and during the term of this Lease all of its interest in patent indemnity protection, if any, provided by any Lender with respect to the Water System or any portion thereof. Such assignment of patent indemnity protection by the City to the Corporation shall constitute the entire liability of the Corporation for any patent infringement by the Water System or any portion thereof furnished pursuant to this Lease.

Section 10.05. Disclaimer of Warranties. **THE Water System IS DELIVERED AS IS, AND THE CORPORATION MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE Water System, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE Water System.**

ARTICLE XI PREPAYMENT

Section 11.01. When Available. Except as provided in Article VIII, the City shall have the option to prepay its obligation for all future Rental Payments in the manner set forth in Sections 6.03 and 6.04 for the then applicable Prepayment Price, as set forth in Schedule 3, but only if the City is not in default under this Lease, and only in the manner provided herein.

Section 11.02. Exercise of Option. The City shall give notice to the Corporation of its intention to exercise its option of prepayment hereunder not less than 45 days prior to the Payment Date on which the option is to be exercised and shall deposit with the Corporation on the date of exercise an amount equal to all Rental Payments and any other amounts then due or past due and the applicable Prepayment Price set forth in Schedule 3. The closing shall be on the Payment Date on which the option is to be exercised at the office of the Lender.

Section 11.03. Release of the Corporation's Interest. Upon exercise by the City of its option to pay all of its Rental Payment obligations, the Corporation shall convey or release to the City, all of its right, title and/or interest in and to the Water System by delivering to the City such documents as the City reasonably deems necessary for this purpose including, but not limited to, a bill of sale.

ARTICLE XII ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING

Section 12.01. Assignment by the Corporation. The Corporation shall assign and pledge any rents, revenues and receipts receivable, including Rental Payments and Additional Payments, by it under this Lease, to the Lender as security for payment of the Note and the City hereby consents to the assignment. The Rental Payments and other amounts due hereunder and the Water System may be assigned and reassigned in whole or in part to one or more assignees or sub-assignees by the Lender at any time, without the consent of the City. No such assignment shall be effective as against the City unless and until the assignor shall have filed with the City a copy of written notice thereof identifying the assignee. The City shall pay all Rental Payments due hereunder to or at the direction of the Corporation or the assignee named in the most recent assignment or notice of assignment filed with the City.

Section 12.02. Assignment and Subleasing by the City. The City may not assign this Lease in whole or in part, and may not sublease the Water System in whole or in part as long as the Note remains outstanding, without the consent of the Corporation and the Lender.

Section 12.03. Restriction on Mortgage or Sale of Water System. Neither the Corporation nor the City shall mortgage, sell, assign, transfer or convey the Water System or any portion thereof during the term of this Lease.

ARTICLE XIII EVENTS OF DEFAULT, REMEDIES

Section 13.01. Events of Default Defined. The following shall be "events of default" under this Lease and the terms "events of default" and "default" shall mean, whenever they are used in this Lease, with respect to the Water System, any one or more of the following events:

(a) Failure by the City to pay any Rental Payment or other payment required to be paid under this Lease at the time specified herein and the continuation of said failure for a period of three (3) days after telephonic or telegraphic notice given by the Corporation that the payment referred to in such notice has not been received, such telephonic or telegraphic notice to be subsequently confirmed in writing, or after written notice.

(b) Failure by the City to vacate the Water System within fifteen (15) days after the occurrence of an Event of Non-Appropriation by the City.

(c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Clauses (i) and (ii) of this Section, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation, unless the Corporation, with the written consent of the Lender shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Corporation and the Lender will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected.

(d) the City shall (i) admit in writing its inability to pay its debts as they become due; or (ii) file a petition in bankruptcy or for reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the Bankruptcy Act as now or in the future amended or any other similar present or future federal or state statute or regulation, or file a pleading asking for such relief; or (iii) make an assignment for the benefit of creditors; or (iv) consent to the appointment of a trustee receiver or liquidator for all or a major portion of its property or shall fail to have the appointment of any trustee, receiver or liquidator made without the City's consent or acquiescence, vacated or set aside within 60 days after such appointment; or (v) be finally adjudicated as bankrupt or insolvent under any federal or state law; or (vi) be subject to any proceeding, or suffer the entry of a final and non-appealable court order, under any federal or state law appointing a receiver, trustee or liquidator for all or a major part of its property or ordering the winding up or liquidation of its affairs, or approving a petition filed against it under the Bankruptcy Act, as now or in the future amended, which order or proceedings, if not consented to by it, shall not be dismissed, vacated, denied, set aside or stayed within 60 days after the day of entry or commencement; or (vii) suffer a writ or warrant of attachment or any similar process to be issued by any court against all or any substantial portion of its property, and such writ or warrant of attachment or any similar process is not contested, stayed, or is not released within 60 days after the final entry, or any stay is vacated or set aside; or

(e) the City shall vacate or abandon the Water System for a period of 30 days; or

(f) the Net Proceeds of any insurance claim or condemnation award shall be insufficient to repair or replace the Water System and the City shall not exercise its option to purchase the Water System under Section 9.01 hereof or does not elect to pay any excess cost to repair or replace the Water System pursuant to Section 9.02 hereof; or

- (g) the occurrence of an Event of Non-Appropriation.

The provisions of this Section 13.01 and Section 13.02 are subject to the following limitation: (i) the City shall be obligated to pay the Rental Payments and Additional Payments only during the then current Lease term, except as otherwise expressly provided in this Lease; and (ii) if, by reason of *force majeure*, the City is unable in whole or in part to carry out its obligations under this Lease with respect to the Water System, other than its obligation to pay Rental Payments with respect thereto which shall be paid when due notwithstanding the provisions of this paragraph. The City shall not be deemed in default during the continuance of such inability up to a period of six (6) months from the inception thereof. The term "*force majeure*" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other labor disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or the State or their respective departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of the City and not resulting from its negligence. The City agrees, however, to remedy, with all reasonable dispatch, the cause or causes preventing the City from carrying out its obligations under this Lease; provided that the settlement of strikes, lockouts and other labor disturbances shall be entirely within the discretion of the City and the City shall not be required to make settlement of strikes, lockouts and other labor disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the City unfavorable to the City.

Section 13.02. Remedies on Default. Whenever any event of default referred to in Section 13.01 hereof shall have happened and be continuing with respect to the Water System, the Corporation shall have the right, at its option and without any further demand or notice, to take one or any combination of the following remedial steps:

(a) The Corporation, with or without terminating this Lease may declare all Rental Payments due or to become due during the term of the Lease to be immediately due and payable by the City, whereupon such Rental Payments shall be immediately due and payable.

(b) The Corporation, with or without terminating this Lease, may repossess the Water System or any portion thereof by giving the City written notice to deliver and/or return to the Corporation any portion of the Water System whereupon the City shall do so in the manner provided in Section 13.03; or in the event the City fails to do so within ten days after receipt of such notice, the Corporation may enter upon the Water System and take possession of any portion thereof and charge the City for costs incurred in repossessing such portion of the Water System, including reasonable attorneys' fees. The City hereby expressly waives any damages occasioned by such repossession. If the Water System or any portion of it has been destroyed, wasted, or damaged beyond repair, the City shall pay the applicable Prepayment Price of the Water System, as set forth in Schedule 3 (less credit for Net Proceeds), to the Corporation. The City shall continue to be responsible for the payment of Rental Payments. If this Lease has not been terminated, the Corporation shall return the Water System or any portion thereof to the City, at the City's expense, when the event of default is cured.

(c) If the Corporation terminates this Lease and takes possession of the Water System or any portion thereof, the Corporation shall within a commercially reasonable period thereafter (such period to be in any event not more than two [2] years) use its best efforts to sell the Water System or any portion thereof in a commercially reasonable manner at public or private sale in accordance with applicable State laws. The Corporation shall apply the proceeds of such sale to pay the following items in the following order: (a) all amounts owed to the Lender under the Note; (b) all costs incurred in securing possession of the Water System; (c) all expenses incurred in completing the sale; (d) the applicable Prepayment Price of the Water System; and (e) the balance of any Rental Payments owed by the City. Any sale proceeds remaining after the requirements of clauses (a), (b), (c), (d) and (e) have been met may be retained by the City.

(d) The Corporation may take any other action available at law or in equity to require the City to perform any of its obligations hereunder.

Section 13.03. Return of Water System. Upon the termination of this Lease prior to the payment of all Rental Payments in accordance with Schedule 2, the City, upon request of the Corporation, shall return the

Water System or any portion thereof to the Corporation in the condition, repair, appearance and working order required in Section 8.03, in the following manner as may be specified by the Corporation; (i) with respect to such portions of the Water System as are deemed personal property under this Lease (a) by delivering such portion of the Water System, at the City's cost and expense, to such place within the State as the Corporation shall specify, or (b) by loading such portions of the Water System, at the City's cost and expense, on board such carrier as the Corporation shall specify and shipping the same, freight prepaid, to the place specified by the Corporation; and (ii) with respect to such portions of the Assets and the Water System as are deemed real property or fixtures under this Lease, (a) by executing such documents as the Corporation reasonably deems necessary to transfer all of the City's right, title and interest in and to such Water System to the Corporation, and (b) by paying all reasonable costs and expenses whether incurred by the Corporation or the Lender (including attorneys' fees) with respect to such transfer of the Water System. If the City refuses to return the Water System in the manner designated, the Corporation may repossess the Water System and charge to the City the costs of such repossession or pursue any remedy described in Section 13.02.

Section 13.04. No Remedy Exclusive. No remedy conferred upon or reserved to the Corporation by this Article is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right and power may be exercised from time to time and as often as may be deemed expedient by the Corporation or its assignee.

Section 13.05. Late Charge. Whenever any Event of Default referred to in Section 13.01(a) hereof shall have happened and be continuing with respect to the Water System, the Corporation shall have the right, at its option and without any further demand or notice, to require a late payment charge for each 30 day period or part thereof during which such event of default occurs equal to two percent (2%) above the interest rate being charged on the Note the delinquent amount, and the City shall be obligated to pay the same immediately upon receipt of the Corporation's written invoice therefor; provided, however, that this Section 13.05 shall not be applicable if or to the extent that the application thereof would affect the validity of this Lease.

Section 13.06. Waivers. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 13.07. Agreement to Pay Attorney Fees and Expenses. In the event that either party hereto shall default under any of the provisions hereof and the non-defaulting party shall employ attorneys or incur other expenses for the collection of Rental Payments and Additional Rentals, or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it shall pay on demand therefor to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

Section 13.08. Waiver of Appraisalment, Valuation, Stay, Extension and Redemption Laws. Extension and Redemption Laws. The Corporation and the City agree, to the extent permitted by law, that in the case of a termination of the Lease Term by reason of an Event of Non-appropriation or an Event of Default, neither the Corporation nor the City, or any one claiming through or under either of them shall or will set up, claim or seek to take advantage of any appraisalment, valuation, stay, extension or redemption laws now or hereafter in force in order to prevent or hinder the enforcement of this Lease; and the Corporation and the City, for themselves and all who may at any time claim through or under either of them each hereby waives, to the full extent that it may lawfully do so, the benefit of all such laws.

ARTICLE XIV MISCELLANEOUS PROVISIONS

Section 14.01. Notices. All notices, certificates, legal opinions or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or deposited in the United States mail in registered or certified form with postage fully prepaid to the addresses specified below; provided that the Corporation and

the City, by notice given hereunder, may designate different addresses to which subsequent notices, certificates, legal opinions or other communications will be sent, to wit:

If to the City: City of Ozark, Missouri
 205 North 1st Street
 Ozark, Missouri 65721

If to the Corporation: The Public Funding Corporation of the City of Ozark, MO.
 205 North 1st Street
 Ozark, Missouri 65721

Section 14.02. Financial Information. During the term of this Lease, the City will annually provide the Corporation with current financial statements, budgets, and such other financial information relating to the ability of the City to continue this Lease as may be requested by the Corporation or its assignee.

Section 14.03. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Corporation and the City and their respective successors and assigns subject to the provisions of Article XII hereof.

Section 14.04. Severability. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 14.05. Amendments, Changes and Modifications. This Lease may be amended or any of its terms modified only by written document duly authorized, executed and delivered by the Corporation and the City.

Section 14.06. Captions. The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provision, Article, Section or Clause of this Lease.

Section 14.07. Further Assurances and Corrective Instruments. The Corporation and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Water System hereby leased or intended so to be, or for otherwise carrying out the expressed intention of this Lease.

Section 14.08. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14.09. Applicable Law. This Lease shall be governed by and construed in accordance with the laws of the State of Missouri.

IN WITNESS WHEREOF, the Corporation has caused this Lease to be executed in its name by its duly authorized officer and the City has caused this Lease to be executed in its name by its duly authorized officer, as of the date first above written.

THE PUBLIC FUNDING CORPORATION OF
THE CITY OF OZARK, MO.

By: _____
Name: _____
Title: President

SEAL

ATTEST:

By: _____
Name: _____
Title: Secretary

DRAFT

STATE OF MISSOURI)
) ss
COUNTY OF CHRISTIAN)

Before me a notary public in the state aforesaid, on this _____ day of _____, 2002, in the County and State aforesaid, appeared _____ and _____, who being by me duly sworn, did say that they are the President and Secretary, respectively, of The Public Funding Corporation of the City of Ozark, Mo., a non-profit corporation, organized and existing under the laws of the State of Missouri, who are personally know to me to be the same persons who executed, as such officers, the within instrument on behalf of said Corporation, and such persons duly acknowledged the execution of the same to be the act and deed of said Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year first above written.

Notary Public

[SEAL]

ATTEST:

My commission expires:

THE CITY OF OZARK, MISSOURI

By: _____
Name: Donna McQuay
Title: Mayor

SEAL

ATTEST:

By: _____
Name: Lana Calley
Title: City Clerk

STATE OF MISSOURI }
 } ss
COUNTY OF CHRISTIAN }

Before me a notary public in the state aforesaid, on this _____ day _____, 2002, in the County and State aforesaid, appeared Donna McQuay and Lana Calley, who being by me duly sworn, did say that they are the Mayor and City Clerk, respectively, of the City of Ozark, Missouri, a political subdivision duly authorized, incorporated and existing under and by virtue of the Constitution and laws of the State of Missouri, who are personally know to me to be the same persons who executed, as such officers, the within instrument on behalf of said City, and such persons duly acknowledged the execution of the same to be the act and deed of said City.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year first above written.

Notary Public

[SEAL]

ATTEST:

My commission expires:

SCHEDULE 1
DESCRIPTION OF Water System

The water supply system operated by the Quail Run further described as:

(Insert Description from Stock Purchase Agreement)

**SCHEDULE 2
RENTAL PAYMENTS**

\$335,000 Principal Amount
4.98% Interest Rate
20 year Term

(Insert Amortization Schedule)

SCHEDULE 3
PREPAYMENT SCHEDULE

All amounts required to be paid by the City pursuant to Section 6.04 hereof.

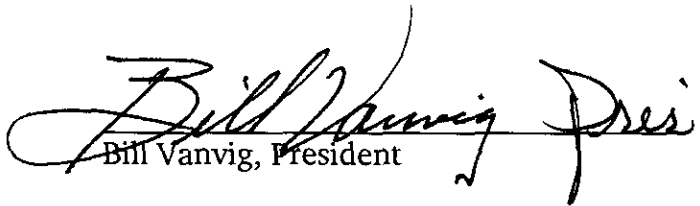
**MINUTES OF SPECIAL JOINT MEETING OF
BOARD OF DIRECTORS AND SHAREHOLDERS**

A special joint meeting of the Board of Directors and Shareholders of QUAIL RUN WATER AND LAND COMPANY was held at 1:30 p.m. at 3734 South Avenue, Suite C, Springfield, Missouri on February 22, 2002, with all of the members of the Board and all of the Shareholders present and hereby waiving any required notice of said meeting. Attorney, Gary E. Bishop, was also present at the meeting.

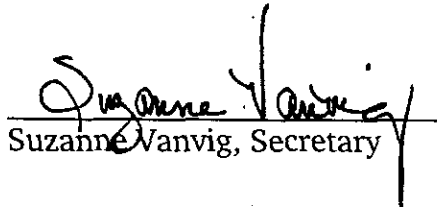
The meeting was held specifically to consent to the sale of the waterworks and related assets of the Corporation to the Public Funding Corporation of the City of Ozark, Missouri and shall be retro-active to November 16, 2001.

On motions duly made and carried, the Board consented to the sale of all said waterworks and related assets of the Corporation to the Public Funding Corporation of the City of Ozark, and directed the Officers of the Corporation to execute documents as necessary to approve such sale.

There being no further business to come before the meeting, the meeting was adjourned.


Bill Vanvig, President

Attest:


Suzanne Vanvig, Secretary

AN ORDINANCE

APPROVING THE ACQUISITION OF A WATER SYSTEM TO BE OPERATED BY THE CITY OF OZARK, MISSOURI, AS A PART OF ITS COMBINED WATERWORKS AND SEWERAGE SYSTEM; DESCRIBING THE PROPERTY TO BE ACQUIRED; SETTING FORTH THE PURCHASE PRICE TO BE PAID THEREFOR; THE METHOD OF PAYMENT THEREFOR AND AUTHORIZING THE EXECUTION AND PERFORMANCE OF DOCUMENTS IN RELATION THERETO.

WHEREAS, the Board of Aldermen of the City of Ozark, Missouri (the "Board") deems it wise, expedient and advisable for the City of Ozark, Missouri (the "City") to acquire all of the stock of Quail Run Water and Land Company (the "Water System") as described in the hereinafter defined lease to be acquired, owned and operated by the City as a part of the Combined Water and Sewerage System of the City; and

WHEREAS, The Public Funding Corporation of the City of Ozark, Mo., (the "PFC") is a nonprofit public benefit corporation duly organized and existing under the Missouri Nonprofit Corporation Act, Chapter 355 of the Revised Statutes of the State of Missouri for the purpose of benefitting and aiding the City in accomplishing its objectives by providing for the lease-purchase financing of the costs of acquiring such Water System; and

WHEREAS, The Public Funding Corporation of the City of Ozark, Mo., plans to execute a promissory note in the aggregate principal amount of \$335,000 for the purpose of providing funds to pay all or a portion of the costs of acquiring costs of acquiring the Water System; and

WHEREAS, due to the determined necessity and desirability to protect the operation of its System and to improve the same, the Board of Aldermen has authorized the creation of the PFC and appointed a Board of Directors to act on behalf of the PFC and now requests that the PFC assist the City in the acquisition of the Water System by entering into an annually renewable lease purchase agreement with lease payments sufficient to amortize a promissory note in the amount of \$335,000, the proceeds of which will be used to acquire the Water System, and lease the Water System back to the City; and

WHEREAS, the Board finds and determines it is necessary and desirable, in connection with the acquisition of the Water System that the City take certain actions and authorize the execution and delivery of certain documents as herein provided.

NOW THEREFORE, BE IT ORDAINED BY THE BOARD OF ALDERMEN OF THE CITY OF OZARK, MISSOURI THAT:

Section I. Findings. The Board of Aldermen hereby find and determine that:

(a) The PFC is engaged in activities that are essentially public in nature. The purposes and activities of the PFC are those permitted under the Missouri Nonprofit Corporation Act, Chapter 355 of the Revised Statutes of Missouri, 1994, as amended;

(b) The PFC is not organized for profit except to the extent of retiring indebtedness, and the Articles of Incorporation so provide;

(c) The income of the PFC will not inure to any private person, and the Articles of Incorporation so provide;

(d) The City has a beneficial interest in the PFC and will have exclusive beneficial possession and use of the Water System;

(e) The City shall obtain full legal title to the Water System upon payment in full of the rental payments under the lease purchase financing;

December 14, 2001

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(f) The City is authorized by the laws of the State of Missouri to lease the Water System from the PFC for the purpose of acquiring and providing improvements to its Combined Waterworks and Sewerage System; and

Section 2. Authorization and Execution of Documents. The Mayor of the City be and is hereby authorized and directed to execute and deliver, in the name of and on behalf of the City, the Lease Agreement dated as of December 1, 2001, by and between the City and the PFC (the "Lease") (a copy of such document shall be filed in the records of the City in the Office of the City Clerk), with such changes therein as shall be approved by the Mayor his signature thereon being conclusive evidence of the approval thereof.

Section 3. Further Authority. The City shall, and the officers, agents and employees of the City are hereby authorized and directed to, take such further action, and execute such other documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Ordinance, and to carry out, comply with and perform the duties of the City with respect to the Lease and the acquisition of the Water System, including but not limited to a stock purchase agreement between the PFC and the Water System and any other necessary security documents.

Section 4. Approval of Loan and Purchase Agreement. The City hereby approves of the PFC entering into the loan with Ozark Bank, Ozark, Missouri (the "Lender") in the aggregate principal amount of \$335,000 (the "Loan") for the purpose of providing funds to pay the costs of acquiring the Water System at a per annum interest rate of 4.98% for a term of 20 years with quarterly principal and interest payments with no prepayment penalty. Furthermore, the City hereby approves the PFC entering into a stock purchase agreement with the Water System for the acquisition of all of the stock of the Water System.

Section 5. Limited Obligations. The Loan and the interest thereon shall be limited obligations payable solely out of the rents, revenues and receipts received by the PFC pursuant to the Lease and such rents, revenues and receipts, shall be pledged and assigned to the Lender as security for the payment of the Loan. The Loan and the interest thereon shall not constitute a debt or liability of the City or the State of Missouri or of any political subdivision thereof, and the Loan shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Section 6. Exemption from Rebate. The City makes the following representations in connection with the exemption from small governmental units for the arbitrage rebate requirements under Section 148(f)(4)(c) of the Tax Code of 1986:

(a) ninety-five percent (95%) of the net proceeds of the Note are to be used for local governmental activities of the City;

(b) the aggregate face amount of all tax-exempt obligations (other than private activity obligations) issued by the City during the calendar year 2001 is not reasonably expected to exceed \$10,000,000; and

(c) it hereby designates the Lease and the Note as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code of 1986.

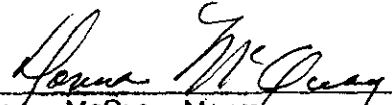
Section 7. Budget Adjustment. The budget for the City for the current fiscal year is hereby amended to provide for the payment of the rental payments required under the terms of the Lease. The Board of Aldermen find that this budget adjustment is necessary for the best interests of the City and that an emergency exists due to the need to provide for such rental payments, and the appropriate officers of the City are hereby directed to cause the appropriate accounting entries to be made in the books and records of the City.

Section 8. Effective Date. This Ordinance shall take effect and be in full force and effect immediately after its adoption by the Board of Aldermen of the City.

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December 14, 2001

Duly passed and adopted by the Board of Aldermen of the City of Ozark, Missouri, the 17th day of December, 2001.


Donna McQuay, Mayor

[SEAL]

ATTEST:


Lana Calley, City Clerk

NOTICE

TO: ALL WATER CUSTOMERS OF QUAIL RUN WATER AND LAND COMPANY

PLEASE TAKE NOTICE OF THE PENDING SALE OF QUAIL RUN WATER AND LAND COMPANY TO THE PUBLIC FUNDING CORPORATION OF THE CITY OF OZARK, MISSOURI AND LEASE/PURCHASE OF THE WATER WORKS TO THE CITY OF OZARK, MISSOURI. SUCH SALE IS CONTINGENT UPON APPROVAL OF THE MISSOURI PUBLIC SERVICE COMMISSION. THE CUSTOMERS MONTHLY BILL FOR WATER SERVICE AFTER SUCH SALE WILL NOT CHANGE. YOU MAY COMMENT UPON THIS SALE BY WRITING TO THE MISSOURI PUBLIC SERVICE COMMISSION, P.O. BOX 360, JEFFERSON CITY, MISSOURI 65102. QUESTIONS ABOUT FUTURE WATER SERVICE MAY BE ANSWERED BY CONTACTING THE CITY ADMINISTRATOR AT CITY HALL, OZARK, MISSOURI (417-581-2407).