

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

**In the Matter of the Application of                    )  
Middle Fork Water Company for an                    )  
Order Initiating an Investigation to                    )  
Ascertain the Value of the Company's                    )  
Property Devoted to the Public Service                    )**

**Case No. WO-2007-0266**

**STAFF'S EXPLANATION OF THE FACTUAL AND LEGAL BASES  
FOR ITS RECOMMENDATION  
THAT PLANT IN SERVICE BE CLASSIFIED  
AS CONTRIBUTIONS IN AID OF CONSTRUCTION**

**COMES NOW** the Staff of the Missouri Public Service Commission and, for its Explanation of the Factual and Legal Bases for its Recommendation that Plant in Service Be Classified as Contributions in Aid of Construction, states to the Missouri Public Service Commission as follows.

**PROCEDURAL BACKGROUND**

Middlefork Water Company<sup>1</sup> ("Middlefork" or "Company") initiated this case on January 12, 2007, by filing an Application with the Commission, in which it requested three types of relief. The only issue that remains for Commission resolution is the determination of the value of the Company's current investment in plant devoted to the public service.

On November 20, 2007, the Staff filed its Recommendation with an accompanying Memorandum, in which it set forth its findings regarding the value of the Company's gross Plant in Service, Accumulated Depreciation Reserve, Net Plant in Service, and Net Contribution in

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<sup>1</sup> The name of the Company that is the subject of this case is variously reported as "Middle Fork" (as shown in the caption of the case, above) and as "Middlefork." Documents on file at the office of the Secretary of State's office show the name as "Middlefork," and Staff will attempt to so refer to it throughout this pleading, except when quoting directly from another document.

Aid of Construction, as of September 30, 2007. The Staff also stated that it found the final value of net plant less CIAC balance, as of September 30, 2007, to be \$217,227.

On December 12, 2007, the Commission granted a motion that the Company had filed on November 29, 2007, and ordered the Staff to “file a pleading which clearly and completely sets forth the factual and legal bases for its conclusion that the vast majority of Middle Fork’s investment in Plant in Service qualifies and properly should be categorized as a Contribution in Aid of Construction.”

As an initial proposition, the Staff states that the Commission’s Order is based upon the incorrect premise – posited by the Company – that the Staff concludes that “Middle Fork’s investment in Plant in Service” should be categorized as Contributions in Aid of Construction (“CIAC”). The Staff has made no such finding, statement or conclusion.

The Staff’s position is not that the Company’s *investment* should be categorized as CIAC. Rather, it is the Staff’s position that the Company *has no investment* in the items that constitute CIAC.

## **FACTUAL BACKGROUND**

Middlefork Water Company was created in the early 1990s to address the water supply problems of two cities in northwest Missouri: Grant City and Stanberry. Grant City, which supplied water to the Worth County Water Supply District had serious water supply problems because of a drought. Stanberry had no treatment plant. Both cities had water distribution systems, but did not have adequate sources of supply and treatment. Middlefork was formed in 1991, to provide a reliable and adequate source of supply and treatment, and to then deliver the treated water to the cities for distribution to the retail customers.

The cities voted to approve the development of this source of supply in 1992. However, Middlefork was not able to finance the construction cost, so it turned to the Environmental

Improvement and Energy Resources Authority (“EIERA”) for funding. In simplest terms, the EIERA issued revenue bonds for this purpose, and loaned the proceeds of the bonds to Middlefork. Middlefork issued a promissory note to EIERA in the amount of \$2,000,000. Then Middlefork, in turn, executed water supply agreements with Grant City and Stanberry, by the terms of which the cities agreed to purchase water from Middlefork *and* to pay a sum of money sufficient to pay the *entire* debt service on EIERA’s loan to Middlefork.

Middlefork executed a Water Supply Contract with Grant City on December 30, 1991, which was subsequently amended by an agreement dated February 12, 1992. A true copy of the Amended Water Supply Contract is attached hereto as Exhibit A. It has not been amended, revoked, cancelled or set aside, and it remains in full force and effect today. Middlefork also executed an Amended Water Supply Contract with Stanberry on February 12, 1992, which remains in full force and effect today. A true copy of this amended contract is attached hereto as Exhibit B. Middlefork’s agreement with Stanberry is substantially the same in all material respects as its agreement with Grant City.

Of special interest are the provisions of Section 7, Paragraph (a) of each of these water supply contracts. Section 7, Paragraph (a) of the Grant City contract provides in full as follows:

Section 7. Payment.

(a) On or before [specified dates] the Seller [Middlefork] shall render to [Grant City] a monthly statement representing:

- (1) So long as any Project Bonds are outstanding, the Surcharge to the Purchaser;
- (2) The Water Rate multiplied by the number of gallons of Water (in thousands) delivered to the Purchaser during the preceding Month at the Point of Delivery; and
- (3) The Seller Depreciation Reserve Fund Deposit.

The Purchaser shall pay to the Seller the amounts shown on such statement on or before the twentieth (20<sup>th</sup>) day of such Month.

Section 2, Paragraph (r) defines “Surcharge” as follows:

(r) "Surcharge" shall mean the amount each Month owed by the Purchaser to the Seller determined by multiplying the Purchaser's Entitlement Share by the amount of Debt Service required under the Bond Indenture to be deposited during such Month into any fund or account established by the Bond Indenture.

Per the Entitlement Share Schedule attached to the back of the contract, Grant City's Entitlement Share is 50%.

The provisions of the Amended Water Supply Contract with Stanberry are substantively identical with regard to the matters discussed just above.

The consequence of the foregoing is that, for so long as any Project Bonds are outstanding, Grant City and Stanberry are each obliged to pay 50% of the debt service on the Bond Indenture each month.

The "Project Bonds" are the Water Revenue Bonds issued by the EI ERA for this project. See Section 2, Paragraph (l) of each of the Amended Water Supply Agreements.

Thus, Grant City and Stanberry must, together, pay all of the debt service on the \$2 million promissory note that Middlefork executed in favor of EI ERA on May 28, 1992.

Grant City and Stanberry have discharged this obligation by making monthly surcharge payments from November 1992 to the present. The total amounts of these monthly payments varied from time to time. The exact amounts were established by letters from the holder of the EI ERA revenue bonds – the Bank of New York or its predecessor. A sample letter, dated March 16, 2007, from the Bank of New York to Middlefork, is attached hereto as Exhibit C. As shown in Exhibit C, the Bank of New York established the monthly payments, for the six months beginning May 30, 2007, at \$15,708.21.

Each monthly surcharge was allocated to principal and interest as shown on Attachment C to the Memorandum that the Staff filed in this case on November 20, 2007. For the convenience of the Commission, a copy of that amortization schedule is attached hereto as Exhibit D. This schedule shows, for each month, the total surcharge paid, the amount allocated

to principal, the amount allocated to interest, and the cumulative bond principal paid. For example, for the month of September 2007, Grant City and Stanberry paid a total surcharge of \$15,708.21. Of this sum, \$3,208.21 was credited to interest, and \$12,500.00 was credited to principal. This brought the cumulative bond principal paid to \$1,406,755.46.

### **LEGAL BASIS FOR STAFF’S RECOMMENDATION**

Pursuant to Section 7, Paragraph (a) (2) of each Water Supply Contract, the cities of Grant City and Stanberry both purchase water from Middlefork by paying to the Company a sum of money that is equal to the Water Rate (the rate approved / established by the Commission and set forth in Middlefork’s tariff) multiplied by the number of thousands gallons of water that are delivered to the purchaser during the billing period. The purpose of this payment is to compensate Middlefork for the expenses it incurs and for all of its costs of providing a water supply to the two cities, *other than* for a return of, and a return on, the investment in the “the Project” (as that term is defined in Section 2, Paragraph (k) of the Water Supply Contracts.

In addition to the payments just discussed, the cities of Grant City and Stanberry are both obliged, by the terms of Section 7, Paragraph (a) (1) of the Water Supply Contracts, to pay to Middlefork a “Surcharge,” which is to be paid “so long as any Project Bonds are outstanding.” The amount that the cities must pay is exactly equal to Middlefork’s debt service on the EIARA bonds, as demanded by the Bank of New York in the letters that it sends to Middlefork.<sup>2</sup>

Middlefork is the obligor on the EIARA bonds, but all of the payments of both principal and interest are paid by the cities. In essence, Middlefork acts much like a guarantor of the loans. That is, the payments are actually made by the cities, but in the event that the cities failed to make payments as required, then Middlefork would still be obliged to make the payments.

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<sup>2</sup> Exhibit C is an example of the letters that the Bank of New York periodically sends to Middlefork.

To the extent that payments have been made on the principal of these loans, the cities have made all of the payments. The equity that exists in “The Project” has been furnished entirely by the cities. All of the payments of principal have been contributed by the cities, and are therefore properly classified as CIAC.

If “The Project” were included in rate base, it would result in a double recovery by Middle Fork. For if these assets are included in rate base, Middlefork would be entitled to receive a return of, and a return on, that rate base (even though it has no investment in it), and the cities would have to pay Middlefork for this rate base. But, in addition, the cities would still be obliged to pay the Surcharge, pursuant to the requirements of Section 7, Paragraph (a) (2) of the Water Supply Contracts. The cities would have to compensate Middlefork twice for these assets. Although they are plant in service, they are not rate base.

The payments that the cities make under the Surcharge may be likened to the payments of connection charges that developers or customers make, as a development “builds out.” In situations where the water company makes the initial investment in the plant, it normally also establishes connection fees to offset its investment. In such situations, as the developer sells lots and pays the connection charges, or as the customers connect to the utility and pay the connection charges, the connection charges paid are classified as CIAC. This does not affect the amount of plant in service,<sup>3</sup> but it does offset and reduce the water company’s investment (rate base) in its facilities. For ratemaking purposes, the company’s rate base is the amount of net plant in service less the amount of CIAC received.

In like manner, Middlefork made the initial investment in “The Project.” But because of the cities’ contractual obligations to pay the Surcharge, the Staff believes the amount of the

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<sup>3</sup> The gross plant in service does not change over time, but, of course, the net plant in service does decrease over time, as a result of depreciation expense and the corresponding reserve for depreciation.

principal payments is appropriately classified as CIAC. This does not affect the amount of plant in service, but it does offset and reduce Middlefork's investment (rate base) in its facilities for ratemaking purposes. As in the connection charge analogy discussed above, the rate base is the amount of net plant in service less the amount of CIAC.

In this case, the Staff found, as stated in the Memorandum that it filed on November 20, that the final value of the net plant in service less CIAC, as of September 30, 2007, is \$217,227, and is "the value of the Company's current investment in plant devoted to the public service."

**WHEREFORE**, the Staff submits its Explanation of the Factual and Legal Bases for Its Recommendation that Plant in Service be Classified as Contributions in Aid of Construction for the Commission's consideration.

Respectfully submitted,

**/s/ Keith R. Krueger**

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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or e-mailed to all counsel of record on this 21st day of December 2007.

**/s/ Keith R. Krueger**



AMENDED WATER SUPPLY CONTRACT

BETWEEN

MIDDLEFORK WATER COMPANY

AND

THE CITY OF GRANT CITY, MISSOURI

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AMENDED WATER SUPPLY CONTRACT

THIS AMENDED WATER SUPPLY CONTRACT, made and entered into as of February 12, 1992, by and between Middlefork Water Company, (the "Seller") and the CITY of GRANT CITY, MISSOURI (the "Purchaser").

## WITNESSETH:

WHEREAS, the Seller is a corporation organized and existing under the laws of the State of Missouri and the Purchaser is a municipal corporation duly created, organized and existing under and by virtue of the laws of the State of Missouri; and

WHEREAS, the Seller proposes to acquire, construct and equip a water supply system including production, treatment and distribution facilities and related structures and equipment necessary therefor which it will use to provide for the needs of the Seller and its citizens for Water, as hereinafter defined, such facilities and equipment in these recitals being referred to as the "Project"; and

WHEREAS, upon completion of the Project the Seller will have a supply of Water to furnish the immediate needs of the Purchaser; and

WHEREAS, certain other municipal corporations, under the authority contained in the Revised Statutes of Missouri, 1986, as amended, desire to purchase Water from time to time available from the Project and the governing body of each of such municipal corporations, including the Purchaser, has been authorized to enter into a Contract for the purchase of such Water and the Seller is willing to sell such Water, all as hereinbelow set forth; and

WHEREAS, the State Environmental Improvement and Energy Resources Authority, a body corporate and politic and a governmental instrumentality of the State of Missouri (the "Authority"), is authorized pursuant to Sections 260.005 to 260.125, inclusive, Revised Statutes of Missouri, as amended, and Appendix B(1) thereto, to finance, acquire, construct and equip projects for the purpose of providing facilities for the furnishing of Water for community purposes by issuing revenue bonds to pay the costs thereof; and

WHEREAS, the Authority has [expressed its intent to issue] [authorized the issuance of] revenue bonds for the foregoing purpose and to loan the proceeds of such revenue bonds to the Seller to finance the Project in consideration of payments to be made by the Seller in amounts and at the times as will be sufficient to pay the principal of, premium, if any, and interest on the revenue bonds; and

WHEREAS, the Seller would be unable to borrow the proceeds of the Authority's revenue bonds in an amount sufficient to finance the cost of the Project unless purchasers were willing to enter into contracts for the purchase of Water from the Project and consent to the pledge and assignment of amounts payable by them under such contracts as security for the payment of such revenue bonds.

WHEREAS, Seller and Purchaser entered into a Water Supply Contract dated Dec 30, 1991, and desire to enter into this Amended Water Supply Contract for the purpose of changing certain provisions of said original contract.

NOW, THEREFORE in consideration of the foregoing and of the mutual agreements and covenants herein contained, the Seller and Purchaser hereby agree as follows:

#### Section 1. Amendment of Prior Contract.

The Water Supply Contract entered into between Seller and Purchaser on Dec 30, 1991, is hereby cancelled and set aside, and Seller and Purchaser enter into this Amended Water Supply Contract in lieu thereof.

#### Section 2. Definitions.

As used herein, the terms hereinafter set forth shall have the meanings hereinafter given.

(a) "Bond Indenture" shall mean the Trust Indenture, including any amendments and supplements thereto, between the Authority and a bank located in the State of Missouri, as Trustee, authorizing the issuance of water revenue bonds of the Authority to finance the Project.

(b) "Commercial Operation Date" means 12:01 a.m. on the day the Project is producing and delivering Water for commercial use to all of the Water Purchasers.

(c) "Contract" shall mean this Amended Water Supply Contract by and between the Seller and the Purchaser as the same may be amended from time to time pursuant hereto.

(d) "Contract Year" shall mean the twelve (12) month period commencing at 12:01 a.m., on JAN 1 of each year and ending at 12:01 a.m., on the following JAN 1, except that the first Contract Year shall begin on the first to occur of (i) the date to which interest on the Project Bonds is capitalized from the proceeds of Project Bonds or (ii) the Commercial Operation Date.

(e) "Cost of Acquisition and Construction" shall mean all cost and expense of planning, designing, acquiring, constructing, financing and placing in operation the Project, including obtaining governmental approvals, certificates, permits and licenses with respect thereto, heretofore or hereafter paid or accrued by the Seller, and shall include, but shall not be limited to:

(1) funds required for an operating reserve required by the Bond Indenture;

(2) funds required for the acquisition of initial inventory of fuel, supplies and other material for the Initial Project;

(3) the deposit or deposits from the proceeds of the sale of the Project Bonds required under the Bond Indenture to be made in any fund or account established pursuant to the Bond Indenture to meet Debt Service reserve requirements for Project Bonds;

(4) the deposit or deposits from the proceeds of the sale of the Project Bonds required under the Bond Indenture to be made in any fund or account established pursuant to the Bond Indenture as a reserve for renewals and replacements or contingencies with respect to the Project;

(5) interest accruing in whole or in part on the Project Bonds prior to and during construction and for such additional period as the Seller may reasonably deem to be necessary for placing the Project in commercial operation;

(6) training and testing costs incurred by Seller, preliminary investigation and development costs, engineering fees, contractors' fees, labor costs, the cost of materials, equipment, utility service and supplies, and legal and financing costs with respect to the Project;

(7) all costs of insurance obtained for the Project and applicable to the period of construction;

(8) all costs relating to injury and damage claims arising out of the construction of the Project, less proceeds of insurance maintained therefor;

(9) funds required for the payment of all federal, state and local taxes required to be paid in connection with the construction of the Project;

(10) the costs and expenses of the issue and sale of the Project Bonds including discounts to the underwriters or other purchasers thereof; and

(11) all other costs incurred by Seller and properly allocable to the acquisition and construction of the Project, including all costs financed by the issuance of additional bonds pursuant to Section 17.

(f) "Debt Service" shall mean, with respect to any period, the aggregate of the amounts required by the Bond Indenture to be paid during such period into any fund or funds created by the Bond Indenture for the sole purpose of paying the principal (including any sinking fund installments) of and premium, if any, and interest on the Project Bonds from time to time outstanding as the same shall become due; provided, however, that Debt Service shall not include payment of principal on any Project Bond which becomes due by reason of the acceleration of the maturity thereof under the Bond Indenture.

(g) "Entitlement Share" shall mean, with respect to any Water Purchaser for any Contract Year, that percentage shown opposite the name of such Water Purchaser on the Entitlement Share Schedule to this Contract.

(h) "Entitlement Share Schedule" shall mean the Entitlement Share Schedule attached to and incorporated as a part of this Contract.

(i) "Month" shall mean a calendar month.

(j) "Point(s) of Delivery" shall mean the point or points of inter-connection between the facilities of, or available to, the Purchaser and the terminal facilities of the Project.

(k) "Project" shall mean the waterworks system constructed and equipped for the purpose of providing Water to the Seller and to the Point of Delivery for each Water Purchaser, including all related structures, facilities and equipment, together with any major renewals, replacements, repairs, additions, improvements, betterments and modifications necessary to keep the Project in good operating condition or to prevent a loss of revenues therefrom, and any improvements, repairs and modifications of the Project required by any governmental agency having jurisdiction over the Project.

(l) "Project Bonds" shall mean the Water Revenue Bonds, Series 1992 (Middlefork Water Company Project) of the Authority, additional bonds permitted by Section 17 hereof and refunding bonds permitted by Section 18 hereof but shall not include any other bonds.

(m) "Prudent Utility Practice" shall mean at a particular time any of the practices, methods and acts engaged in or approved by a significant portion of the water supply industry at such time, or which, in the exercise of reasonable judgment in light of facts known at such time, could have been expected to accomplish the

desired results at the lowest reasonable cost consistent with good business practices, reliability, safety and timeliness considering the fact that the Seller is a private corporation of the State of Missouri. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods and acts, having due regard for manufacturers' warranties and the requirements of governmental agencies of competent jurisdiction and shall apply not only to functional parts of the Project but also to appropriate structures, landscaping, painting, signs, lighting or other facilities and to public relations programs reasonably designed to promote public enjoyment, understanding and acceptance of the Project.

(n) "Purchaser Depreciation Reserve Fund" shall mean a separate fund and account maintained by the Purchaser for the purposes of providing for major renewals, replacements, improvements, repairs, additions, betterments or modifications necessary to keep the Purchaser's water distribution system (the "Purchaser's System") in good operating condition or to prevent a loss of revenues therefrom, and any improvements, repairs or modifications of the Purchaser's System required by any governmental agency having jurisdiction over the Purchaser's System or to the extent the Purchaser shall have insufficient funds to otherwise pay the Surcharge, to pay the Surcharge. Pending the application of money for the purposes set forth above, amounts deposited to the Purchaser's Depreciation Reserve Fund shall be invested at the direction of the Purchaser in obligations legally authorized for investment of funds of the Purchase and all investment income or gain shall be transferred when received to the Purchaser.

(o) "Rules and Regulations" shall mean those rules and/or regulations established from time to time by the Public Service Commission and the Departments of Natural Resources of the State of Missouri to which the Seller is subject for the operation of the Project.

(p) "Seller Depreciation Reserve Fund" shall mean a separate fund and account maintained by the Seller for the purposes of providing for major renewals, replacements, improvements, repairs, additions, betterments or modifications necessary to keep the Project in good operating condition or to prevent a loss of revenues therefrom, and any improvements, repairs or modifications of the Project required by any governmental agency having jurisdiction over the Project or to the extent the Purchaser shall fail to pay the Surcharge, to pay Debt Service on the Project Bonds. Pending the application of money for the purposes set forth above, amounts deposited to the Seller Depreciation Reserve Fund shall be invested at the direction of the Seller in obligations permitted under the Bond Indenture and all investment income or gain shall be transferred when received to the Seller.

(q) "Seller Depreciation Reserve Fund Deposit" shall mean an amount equal to the lesser of (i) 20% of the Surcharge or (ii) that amount necessary to cause the deposit in the Seller Depreciation Reserve Fund to equal the "Seller Depreciation Reserve Fund Requirement" (as such term is hereinafter defined). The Seller Depreciation Reserve Fund Requirement is an amount equal to 20% of the Debt Service on the Project Bonds coming due during the next twelve months.

(r) "Surcharge" shall mean the amount each Month owed by the Purchaser to the Seller determined by multiplying the Purchaser's Entitlement Share by the amount of Debt Service required under the Bond Indenture to be deposited during such Month into any fund or account established by the Bond Indenture.

(s) "Uncontrollable Forces" shall mean any cause beyond the control of the Seller and which by the exercise of due diligence the Seller is unable to prevent or overcome, including but not limited to an act of God, fire, flood, explosion, earthquake, strike, sabotage, pestilence, an act of the public enemy, civil or military authority, including court orders, injunctions and orders of governmental agencies with proper jurisdictions, insurrection or riot, an act of the elements, failure of equipment, inability of the Seller or any contractor engaged in work on the Project to obtain or ship materials or equipment because of the effect of similar causes on suppliers or carriers, or inability of the Seller to sell or issue Project Bonds.

(t) "Water" shall mean potable treated Water meeting applicable purity standards of the State of Missouri, Department of Natural Resources.

(u) "Water Purchasers" means the cities that are parties to the Water Supply Contracts (other than the Seller), and their successors and assigns pursuant to the Water Supply Contracts, consisting of the following:

City of Grant City; and  
City of Stanberry.

Additional cities, public water supply districts, other municipal entities, and utilities subject to the jurisdiction of the Public Service Commission of the State of Missouri, may be added as "Water Purchasers" for subsequent projects approved for the issuance of additional bonds as specified in a supplemental indenture.

(v) "Water Rate" shall mean the amount established by the Seller and approved by the Public Service Commission of the State of Missouri; PROVIDED, HOWEVER, that nothing contained herein shall be construed as prohibiting either Seller or Purchaser from seeking judicial review of any decision or order of said Public Service Commission to the extent allowed by law.



(w) "Water Supply Contracts" shall mean this Contract and the Water Supply Contracts substantially similar hereto (with such changes as may be necessary to reflect the municipal or corporate nature of the Water Purchaser) between the Seller and a Water Purchaser providing for the purchase and sale of Water from the Project, as the same may be amended from time to time pursuant thereto.

### Section 3. Effective Date, Term.

Upon execution by all Water Purchasers of their Water Supply Contracts, this Contract shall be in full force and effect as of the date of execution hereof. The term of this Contract shall extend to the last day of the Contract Year in which the Project Bonds and the interest thereon have been paid in full or provision for the payment thereof shall have been made in accordance with the Bond Indenture.

### Section 4. Delivery Pressure.

The Seller agrees to furnish and the Purchaser is entitled to receive Water at a reasonably constant pressure of at least 20 lbs. per square inch and constant rate of flow at 350 gallons per minute at the Point of Delivery. Emergency failure of pressure or supply due to main supply line breaks, power failures, fire and use of Water to fight fire, earthquake or other catastrophe shall excuse the Seller from this provision for such reasonable period of time that may be necessary to restore service.

### Section 5. Delivery of Output, Notification.

Water required to be delivered to the Purchaser shall be delivered at the Point(s) of Delivery. The Seller agrees to notify the Purchaser in writing at least 30 days in advance of the estimated date of initial delivery of Water to the Purchaser.

### Section 6. Connection Charge.

The charge for one connection to the Initial Project shall be paid by the Seller. The cost of any additional or other connections shall be paid by the Purchaser. All connections shall be made in accordance with the Rules and Regulations, but in no event shall a connection charge be less than the actual cost of making such connection.

## Section 7. Payment.

(a) On or before the fifteenth (15th) day of each Month beginning with the Month following the initial Month of the first Contract Year the Seller shall render to the Purchaser a monthly statement representing:

(1) So long as any Project Bonds are outstanding, the Surcharge to the Purchaser;

(2) The Water Rate multiplied by the number of gallons of Water (in thousands) delivered to the Purchaser during the preceding Month at the Point of Delivery; and

(3) The Seller Depreciation Reserve Fund Deposit.

The Purchaser shall pay to the Seller the amounts shown on such statement on or before the twentieth (20th) day of such Month.

(b) Any other provision in this Contract to the contrary notwithstanding, the payments to be made pursuant to paragraph (a) above shall be due and payable at the office of Seller specified in Section 33 of this Contract whether or not the Project has been completed, is operating or operable or its production is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to any reduction, whether by offset, counterclaim, recoupment or otherwise, and shall not be conditioned upon the performance or nonperformance by the Seller or any other party under this Contract or any other agreement for any cause whatsoever including the Seller's inability to furnish Water.

(c) Amounts due and not paid by the Purchaser on or before the 30th day of the Month on which they are due shall bear an additional charge equal to the lesser of one and one-half percentum (1½%) per month, compounded monthly, or the maximum amount permitted under applicable law, until such amount and such additional charge are paid in full.

(d) In the event of any dispute as to any portion of any monthly statement, the Purchaser shall nevertheless pay the full amount shown on such statement when due and shall, within sixty (60) days from the date of such statement give written notice of the dispute to the Seller. Such notice shall identify the disputed statement, state the amount in dispute and set forth a full statement of the grounds on which such dispute is based. No adjustment shall be considered or made for disputed charges unless notice is given as aforesaid. The Seller shall give consideration to such dispute and shall advise the Purchaser with regard to the Seller's position relative thereto within thirty (30) days following receipt of such written notice. Upon determination of the correct amount, any difference between such correct amount and such full amount shall be subtracted from the statement next submitted to the Purchaser after such determination pursuant to paragraph (a) above.

(e) On or before the twentieth (20th) day of each Month beginning with the Month following the initial Month of the second Contract Year, the Purchaser shall establish and fund the Purchaser Depreciation Reserve fund with an amount equal to the excess of twenty (20%) percent of the Surcharge over the amount of the Seller's Depreciation Reserve Fund Deposit under Section 7(a)(3), above.

#### Section 8. Characteristics of Service.

(a) The Seller at all times, will operate and maintain the Project in an efficient manner and will take such action as may be necessary to furnish the Purchaser with Water in such quantity and quality as it may require. Temporary or partial failure to deliver Water shall be remedied with all possible dispatch. In the event of an extended shortage of Water, or if the supply of Water available to the Seller is otherwise diminished over an extended period of time, the supply of Water to the Purchaser shall be reduced or diminished in the same ratio or proportion as the supply to all Water Purchasers is reduced or diminished.

(b) This Contract is subject to such rules, regulations or other laws as may be applicable to similar agreements in the State of Missouri, including the Rules and Regulations, and, so long as the same are applicable, the Seller and the Purchaser will collaborate in obtaining such permits, certificates or the like as may be required to comply therewith.

(c) The Seller will establish, to the extent practicable, scheduled periods when the Project shall be shut down for maintenance and will give the Purchaser, whenever possible, at least one hundred twenty (120) days' notice of such periods.

(d) The Seller may temporarily interrupt or reduce delivery of Water from the Project if the Seller determines that such interruption or reduction is necessary in case of emergencies affecting the ability of the Seller to produce or deliver Water from the Project and in order to install equipment, make repairs and replacements to and make investigations and inspections of or perform maintenance work on the Project.

Except as interrupted or reduced by Uncontrollable Forces, or as otherwise provided in this Contract, the Seller shall operate the Project and deliver Water therefrom to the Purchaser in accordance with this Contract and the Rules and Regulations at all times during the term of this Contract commencing with the Commercial Operation Date.

(e) Nothing contained in this Contract shall be construed to prohibit the Seller from contracting with others for the operation, maintenance or dispatch of the Project.

#### Section 9. Measurement of Water Supply.

The Seller will furnish, install, operate and maintain at Point(s) of Delivery the necessary metering equipment, including a meter house or pit and required devices of standard type for properly measuring the quantity of Water delivered to the Purchaser and such flow controls, valves, and backflow prevention devices as may be required by the Rules and Regulations, and the same shall belong to the Seller. The Seller may calibrate or test such metering equipment whenever requested by the Purchaser, but not more frequently than every twelve (12) months, and shall test same without request at least annually. A meter not measuring more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the three (3) months previous to such test in accordance with the percentage of inaccuracy found by such test, and billings for such three (3) months shall be adjusted accordingly. If any meter fails to register for any period, the amount of Water furnished during such period shall be deemed to be the amount of Water delivered in the same period of the preceding year or such other amount as may be agreed upon by the Seller and the Purchaser. In the event that testing is performed at the written request of the Purchaser and no inaccuracy of more than two percent (2%) is found, then all costs of such testing shall be paid by the Purchaser, otherwise such costs shall be paid by the Seller. Any adjustment, when made, shall constitute full adjustment of any claim between the Seller and the Purchaser arising out of such inaccuracy of metering equipment. The metering equipment shall be read on or about the last day of each Month.

#### Section 10. Standard of Construction.

The Seller shall construct, operate, maintain and manage the Project in an efficient and economical manner consistent with Prudent Utility Practice.

#### Section 11. Records and Accounts.

The Seller will keep accurate records and accounts of the Project. Said records and accounts shall be subjected to an audit as of the end of and for each Contract Year by a firm of independent certified public accountants selected by the Seller, which firm shall be experienced in waterworks utility accounting. Such firm's audit report shall be submitted to the Seller, with a copy to the Purchaser, within ninety (90) days after the end of such Contract Year.

#### Section 12. The Seller's Rate Covenant.

The Seller will establish, maintain and collect rates and charges for the Water and water supply service of its Project so as to provide revenues at least sufficient, together with available Project reserves, to enable the Seller to make all payments required to be made by it under the Bond Indenture and all other lawful charges against or liens on the revenues of its Project.

#### Section 13. Financing and Regulatory Approvals for the Project.

(a) The Seller shall use its best efforts to cause the Authority to issue and sell the Project Bonds at such time and from time to time in an aggregate amount sufficient to provide funds for payment of the Cost of Acquisition and Construction, provided that no Project Bonds shall be issued so long as any Water Supply Contract shall be subject to termination pursuant to paragraphs (a), (b), (c) or (d) of Section 29. In connection therewith, the Purchaser shall furnish at its own expense such information and documents, including financial statements, legal opinions and engineering reports, as the Seller shall reasonably request.

(b) The Seller shall proceed in accordance with Prudent Utility Practice to obtain all licenses, permits and other rights and regulatory approvals necessary to the construction and operation of the Project and shall prosecute such construction with due diligence to completion in accordance with Prudent Utility Practice. The Seller shall use its best efforts to achieve a Commercial Operation Date during the first quarter of 1992 but shall not be responsible for delays caused by Uncontrollable Forces or regulatory processes.

#### Section 14. The Purchaser's Rate Covenant.

The Purchaser will establish, maintain and collect rates and charges for the waterworks services of its waterworks system so as to provide revenues at least sufficient, together with available waterworks system reserves, to enable the Purchaser to make all payments required to be made by it under this Contract and all other lawful charges against or liens on the revenues of its waterworks system.

#### Section 15. Facilities to be Provided by the Purchaser.

The Purchaser shall contract for or provide, operate and maintain, all without cost or expense to the Seller, such Water lines, pumps and other facilities as may be necessary to enable it to receive and use Water purchased under this Contract at and from the Point(s) of Delivery, including such protective devices

as may be necessary in the reasonable judgment of the Seller to protect the Project and the waterworks systems of all other Water Purchasers from disturbance thereto caused by the Purchaser.

**Section 16. Source of the Purchaser's Payments.**

The obligation of the Purchaser to make payments to the Seller under Section 7 of this Contract shall be limited to the obligation to make payments from revenues of the Purchaser's waterworks system and available waterworks utility system reserves. All payments made by the Purchaser pursuant to this Contract shall constitute operation and maintenance expenses of its waterworks system. The Purchaser shall not be obligated to levy any taxes, general or special, for the purpose of paying to the Seller any sum due under Section 7.

**Section 17. Additional Bonds.**

Additional bonds may be issued and sold by the Seller in accordance with the provisions of the Bond Indenture at any time and from time to time in the event funds are required to pay all or a portion of the cost of (i) any major renewals, replacements, repairs, additions, improvements, betterments and modifications to the Project necessary to keep the Project in good operating condition or to prevent a loss of revenues therefrom, (ii) any major additions, improvements, repairs or modifications to the Project required by any governmental agency having jurisdiction over the Project or for which the Seller shall be responsible by virtue of any obligation of the Seller arising out of any contract to which the Seller may be a party relating to the ownership of the Project and (iii) additional water supplies for the Project in any Contract Year to the extent that sufficient funds are not available in any reserves for such purpose under the Bond Indenture.

**Section 18. Refunding Bonds.**

In the event that the Surcharge may be reduced by the refunding at any time of all or from time to time of less than all of the Project Bonds then outstanding or in the event it shall otherwise be advantageous in the opinion of the Seller to refund any Project Bonds, the Seller may seek the issuance and sale of refunding bonds by the Authority.

**Section 19. Excess Funds.**

In the event the proceeds derived from the sale of the Project Bonds exceed in the aggregate the aggregate amount of funds required for the purposes specified in this Contract for the application thereof, the amount of such excess shall be used to

retire the Project Bonds by purchase or redemption in the manner permitted under the Bond Indenture.

#### Section 20. Other Bonds.

This Contract shall not be interpreted to restrict the amount of or purpose for which bonds other than the Project Bonds may be issued under the Bond Indenture except that the Seller may not issue bonds under the Bond Indenture prior in right in any manner to the Project Bonds.

#### Section 21. Sale of Water Not Taken by the Purchaser.

Any water, which the Purchaser is entitled to receive under this Contract but does not take, may be sold by the Seller to any party upon such terms as the Seller in its sole discretion shall determine. From the receipts, revenues and other moneys received, Seller shall apply as a credit against the Surcharge, an amount equal to the Surcharge multiplied by a fraction, the numerator of which is the number of gallons of Water sold to said other party in a given month, and the denominator of which is 15,120,000. Except as the Purchaser may thereby receive a portion of the benefit of such sale, the Purchaser shall have no right, by offset or otherwise, to any amounts realized by the Seller in connection with such sale.

#### Section 22. Other Sales of Water.

It is understood that, as between the Purchaser and the Seller, subject to the provisions of the Bond Indenture, the Seller may sell Water which the Purchaser is not entitled to receive pursuant to this Contract on such terms and conditions as the Seller in its discretion shall determine. Sales of Water by the Purchaser shall be governed by the Rules and Regulations but in no event shall the Purchaser make any sale or sales which might adversely affect the tax exempt status of any Project Bonds.

#### Section 23. Credit for Sale of Surplus Property.

The Seller shall apply, as a credit against the Water Rate, all receipts, revenue and other moneys received by it from the sale of surplus equipment, materials, and supplies relating to the Project.

#### Section 24. Default by the Water Purchasers, Remedies of the Seller.

(a) In the event any Water Purchaser shall fail to perform any obligation under its Water Supply Contract, including failure to make to the Seller when due any payment for which

provision is made therein, the Seller shall have, in addition to any other rights or remedies it may have under law, the following rights and remedies:

(1) the Seller may bring any suit, action or proceedings in law or in equity, including mandamus and action for specific performance, as may be necessary and appropriate to enforce against such Water Purchaser any covenant, agreement or obligation to make any payment for which provision is made in its Water Supply Contract;

(2) if such failure shall continue for fifteen (15) days following written notice to such Water Purchaser from the Seller specifying such failure, the Seller may at any time thereafter, upon 10 days' written notice to such Water Purchaser, cease and discontinue delivering Water to such Water Purchaser so long as such failure shall continue; provided, however, that any such cessation and discontinuance shall not relieve such Water Purchaser of any obligation under such Water Supply Contract, including the obligation to pay amounts becoming due on and after the date of such cessation and discontinuance; and

(3) whether or not the Seller shall have ceased and discontinued delivering Water pursuant to clause (2) above, if such failure shall continue for six months following written notice to such Water Purchaser from the Seller specifying such failure, the Seller may at any time thereafter while such failure shall be continuing, upon written notice to such Water Purchaser, terminate such Water Supply Contract; provided, however, that any such termination shall not relieve such Water Purchaser of the obligation to pay any amounts required to be paid under such Water Supply Contract with respect to any Month ending on or prior to such termination and for the Month in which such termination shall occur, without proration.

(b) The cessation and discontinuance of the delivery of Water to any Water Purchaser, or the termination of any Water Supply Contract, shall not change the Entitlement Share of any other Water Purchaser.

#### Section 25. Default by the Seller.

In the event of any default by the Seller in the performance of any of its obligations under this Contract, the Purchaser may avail itself of any remedy before the Public Service Commission, and, after having exhausted its administrative remedies to the extent required by law, may bring any suit, action or proceeding in law or in equity, including mandamus, injunction, and action for specific performance as may be necessary or appropriate to enforce such obligation against the Seller, but the same shall not give the



Purchaser the right to discontinue the performance of its obligations under this Contract.

Section 26. Abandonment of Remedy, No Waiver.

In the event any action or proceeding taken by the Seller or the Purchaser in connection with any default by the other shall have been discontinued or abandoned for any reason, the Seller and the Purchaser shall be restored to their former positions under this Contract, and all rights, remedies, powers and obligations of the Seller and the Purchaser shall continue as though no such action or proceeding had been taken. The failure of either party to insist in any one or more instances upon strict performance by the other of this Contract or to take advantage of any of its rights hereunder shall not be construed as a waiver or relinquishment.

Section 27. Assignment, Sale of the Purchaser's System.

(a) This Contract shall inure to the benefit of and be binding upon the respective successors and assigns of the parties to this Contract; provided, however, that, except as otherwise provided in this Contract in the event of a default and except for the assignment by the Seller authorized in paragraph (b) below, neither this Contract nor any interest herein shall be transferred or assigned by either party hereto except with the consent in writing of the other. No assignment or transfer shall relieve the assigning or transferring party of any obligation contained in this Contract. The Purchaser acknowledges that the rights of the Seller to transfer or assign its interest in this Contract may be limited by the Bond Indenture.

(b) The Purchaser acknowledges and agrees that the Seller may pledge and assign to the trustee designated in the Bond Indenture all of the Seller's right, title and interest in and to all payments to be made to the Seller by the Purchaser under this Contract as security for the payment of the principal (including sinking fund installments) of and premium, if any, and interest on the Project Bonds, and, upon the execution of such pledge and assignment such trustee shall have all of the rights and remedies provided to the Seller with respect thereto.

(c) The Purchaser agrees that it will not sell or otherwise dispose of its water distribution system except on ninety (90) days' prior written notice to the Seller, and in any event will not sell or otherwise dispose of the same in a manner that in the judgment of the Seller adversely affects the value of this Contract as security for the payment of the Project Bonds without the prior written consent of the Seller.

Section 28. Purchasers' Right of First Refusal to Purchase Project or Stock in Seller; Sale of Project or Stock in Seller.

(a) If Seller, within 50 years from the date of this Contract, elects to sell the Project, or in the event of a sale within 50 years from the date of this Contract of more than 50% of the voting stock in Seller, the Purchasers shall have the first opportunity to purchase the Project or said stock, as the case may be. In the event of an intended sale, Seller or the holders of said stock shall give written notice to Purchasers of intent to sell, setting forth the terms and price of sale. Upon receipt of said notice, each Purchaser shall have a right to purchase a fractional interest of the Project or said stock equal to its Entitlement Share for the price (multiplied by the Entitlement Share) and upon the terms set forth in the notice. If the Purchaser wishes to purchase, it shall elect to do so in writing delivered to Seller or its shareholders, as the case may be, within 60 days after receipt of notice. If some but not all Purchasers elect to purchase, those so electing shall have an additional 30 days in which to file an election to purchase the entire Project or stock offered for sale. If, after the expiration of all time periods provided herein, Purchasers have not expressed in writing their intent to purchase all of the Project or stock offered for sale, the Seller or its shareholders, as the case may be, may sell the Project or stock in Seller to a third party for the price and upon the same terms offered to Purchasers.

(b) If Seller, within 50 years from the date of this Contract, shall sell the Project, or if within 50 years from the date of this Contract, more than 50% of the voting stock in Seller shall be sold to someone other than a Purchaser hereunder, the net sale price shall be divided as follows: (1) one-third to Seller or Seller's stockholders, as the case may be, and (2) each Purchaser shall receive a percentage of the remaining two-thirds of the net sale proceeds equal to its Entitlement Share. For purposes of this provision, "net sales price" means in the case of a sale of the Project, the total sales price received less expenses of sale, amounts necessary to pay accrued taxes to discharge liens against the Project, to discharge any indebtedness of the Project incurred in the carrying out of Prudent Utility Practice, and to pay any state or federal income tax incurred as a result of said sale; and, in the case of a sale of stock of Seller, the total sales price received less expenses of sale and amounts necessary to pay any state or federal income taxes incurred as a result of said sale.

(c) Any distribution, transfer, or other disposition that does not result in recognition of gain under the Internal Revenue Code, or any distribution of the Project to stockholders of Seller, shall not constitute a "sale" for purposes of this Section, but the Project or stock in such event shall pass to the transferee subject to the right of Purchasers to purchase the Project or stock, or to share in the proceeds of a sale, in the event of a sale by said transferee.

### Section 29. Termination, Amendment.

(a) This Contract may not be terminated by either party hereto under any circumstances, including upon the default of the other party, except as otherwise specifically provided in this Contract.

(b) If the Authority shall not have issued and sold any Project Bonds prior to the expiration of twenty-four (24) Months from the effective date of this Contract, this Contract shall automatically terminate.

(c) This Contract may be terminated by the Seller at any time prior to the first issuance of the Project Bonds by notice to the Purchaser if:

(1) a decision shall have rendered in any judicial determination with respect to the proposed issue and sale of the Project Bonds which the Seller, in its judgment, determines shall prevent the issuance of the Project Bonds of reasonable terms, or

(2) the Seller shall not have obtained all the permits and approvals deemed necessary by the Seller to be obtained prior to the issuance and sale of the Project Bonds, or

(3) the Seller is unable to arrange the sale of the Project Bonds at an effective interest rate satisfactory to the Seller.

(d) If any Water Supply Contract with any Water Purchaser is terminated pursuant to any provision similar to paragraphs (b) or (c) above, this Contract shall automatically terminate and the Seller shall so notify the Purchaser.

(e) If this Contract shall be terminated pursuant to paragraphs (b), (c) or (d) of this Section 29, neither the Seller nor the Purchaser shall have any liability to the other, including any liability for costs and expenses to the other, except costs related to the bond election.

(f) This Contract may not be amended, modified or otherwise altered in any manner except in writing signed by both parties. The Purchaser acknowledges that the Bond Indenture may contain provisions restricting the right of the Seller to amend, modify or alter this Contract.

### Section 30. Compliance with Laws.

The Purchaser shall not dispose of Water to which it is entitled pursuant to this Contract in any manner which would cause the sale thereof by the Seller to the Purchaser to contravene any provision of law at the time applicable thereto.

### Section 31. Taxes.

In the event that any Federal, state or local tax shall be levied upon the sale and delivery of Water to the Purchaser pursuant to this Contract or upon the Seller measured by the Water sold to the Purchaser or the revenue received by the Seller therefrom, the amount of such tax shall be added to the next statement rendered to the Purchaser pursuant to Section 7.

### Section 32. Governing Law.

This Contract shall be governed by and construed in accordance with the laws of the State of Missouri.

### Section 33. Notices and Computation of Time.

Any notice which may be or is required to be given under this Contract shall be deemed properly given if mailed postage prepaid and addressed to Seller at Route 1, Box 54A, Maryville, Missouri 64468, and to the Purchaser at City Hall, Grant City, Missouri 64456; and in computing any period of time from such notice, such period shall commence at 12:01 a.m. on the day following the date such notice was mailed. The foregoing designations and addresses to which notices shall be addressed may be changed at any time and from time to time by giving notice as above provided.

### Section 34. Addresses for Statements and Payments.

(a) Statements rendered by the Seller pursuant to Section 7 shall be mailed to the Purchaser, addressed as follows: City Hall, Grant City, Missouri 64456.

(b) Payment of statements rendered by the Seller pursuant to Section 7 shall be made to the Seller at Route 1, Box 54A, Maryville, Missouri 64468, in a manner so that the Seller will have funds available at the opening of business on the day such payment shall become due.

(c) In the event that any day on which any payment under this Contract shall become due shall be a Saturday or Sunday or a holiday recognized by the Seller, the payment shall be made on the next preceding day which is not a Saturday, Sunday or such holiday.

### Section 35. Severability.

In the event that any provision in this Contract is declared illegal or no longer in force by reason of any judgment or order issued by any court or regulatory body of jurisdiction, all

remaining provisions of this Contract not affected by such judgment or order shall continue in full force and effect.

Section 36. Reports and Information.

Each party hereto shall furnish to the other party such reports and information concerning its operations as the other party may reasonably request from time to time.

Section 37. Right of Access.

Each party grants to the other party right of access to its premises to install, maintain, operate, repair, and renew any and all equipment, apparatus and devices owned or operated by such other party and necessary in the performance of this Contract.

Section 38. Liability of the Seller.

The Seller shall not be liable to the Purchaser for any failure of the Seller to perform its obligations to the Purchaser due to Uncontrollable Forces and in no event shall be liable to the Purchaser for any consequential damages.

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IN WITNESS WHEREOF, this Contract is executed by the duly authorized officers or representatives of the parties, pursuant to authority vested in them by the lawful action of their respective council, commission, or board, as of the day and year first above written.

MIDDLEFORK WATER COMPANY

ATTEST:

Beth Donaldson  
Secretary

By:

[Signature]  
President

CITY OF GRANT CITY, MISSOURI

(SEAL)

ATTEST:

Lottie Duncan  
City Clerk

By

[Signature]  
Mayor 2-14-92

ENTITLEMENT SHARE SCHEDULE

Entitlement Share for Term of Contract Years

For City of Grant City

50%

# TRANSACTION REPORT

P.01/01

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AMENDED WATER SUPPLY CONTRACT

BETWEEN

MIDDLEFORK WATER COMPANY

AND

THE CITY OF STANBERRY, MISSOURI

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AMENDED WATER SUPPLY CONTRACT

THIS AMENDED WATER SUPPLY CONTRACT, made and entered into as of Feb 17, 1992, by and between Middlefork Water Company, (the "Seller") and the CITY of STANBERRY, MISSOURI (the "Purchaser").

## WITNESSETH:

WHEREAS, the Seller is a corporation organized and existing under the laws of the State of Missouri and the Purchaser is a municipal corporation duly created, organized and existing under and by virtue of the laws of the State of Missouri; and

WHEREAS, the Seller proposes to acquire, construct and equip a water supply system including production, treatment and distribution facilities and related structures and equipment necessary therefor which it will use to provide for the needs of the Seller and its citizens for Water, as hereinafter defined, such facilities and equipment in these recitals being referred to as the "Project"; and

WHEREAS, upon completion of the Project the Seller will have a supply of Water to furnish the immediate needs of the Purchaser; and

WHEREAS, certain other municipal corporations, under the authority contained in the Revised Statutes of Missouri, 1986, as amended, desire to purchase Water from time to time available from the Project and the governing body of each of such municipal corporations, including the Purchaser, has been authorized to enter into a Contract for the purchase of such Water and the Seller is willing to sell such Water, all as hereinbelow set forth; and

WHEREAS, the State Environmental Improvement and Energy Resources Authority, a body corporate and politic and a governmental instrumentality of the State of Missouri (the "Authority"), is authorized pursuant to Sections 260.005 to 260.125, inclusive, Revised Statutes of Missouri, as amended, and Appendix B(1) thereto, to finance, acquire, construct and equip projects for the purpose of providing facilities for the furnishing of Water for community purposes by issuing revenue bonds to pay the costs thereof; and

WHEREAS, the Authority has [expressed its intent to issue] [authorized the issuance of] revenue bonds for the foregoing purpose and to loan the proceeds of such revenue bonds to the Seller to finance the Project in consideration of payments to be made by the Seller in amounts and at the times as will be sufficient to pay the principal of, premium, if any, and interest on the revenue bonds; and

WHEREAS, the Seller would be unable to borrow the proceeds of the Authority's revenue bonds in an amount sufficient to finance the cost of the Project unless purchasers were willing to enter into contracts for the purchase of Water from the Project and consent to the pledge and assignment of amounts payable by them under such contracts as security for the payment of such revenue bonds.

WHEREAS, Seller and Purchaser entered into a Water Supply Contract dated Dec 15, 1991, and desire to enter into this Amended Water Supply Contract for the purpose of changing certain provisions of said original contract.

NOW, THEREFORE in consideration of the foregoing and of the mutual agreements and covenants herein contained, the Seller and Purchaser hereby agree as follows:

#### Section 1. Amendment of Prior Contract.

The Water Supply Contract entered into between Seller and Purchaser on Dec 15, 1991, is hereby cancelled and set aside, and Seller and Purchaser enter into this Amended Water Supply Contract in lieu thereof.

#### Section 2. Definitions.

As used herein, the terms hereinafter set forth shall have the meanings hereinafter given.

(a) "Bond Indenture" shall mean the Trust Indenture, including any amendments and supplements thereto, between the Authority and a bank located in the State of Missouri, as Trustee, authorizing the issuance of water revenue bonds of the Authority to finance the Project.

(b) "Commercial Operation Date" means 12:01 a.m. on the day the Project is producing and delivering Water for commercial use to all of the Water Purchasers.

(c) "Contract" shall mean this Amended Water Supply Contract by and between the Seller and the Purchaser as the same may be amended from time to time pursuant hereto.

(d) "Contract Year" shall mean the twelve (12) month period commencing at 12:01 a.m., on Jan 1 of each year and ending at 12:01 a.m., on the following Jan 1, except that the first Contract Year shall begin on the first to occur of (i) the date to which interest on the Project Bonds is capitalized from the proceeds of Project Bonds or (ii) the Commercial Operation Date.

(e) "Cost of Acquisition and Construction" shall mean all cost and expense of planning, designing, acquiring, constructing, financing and placing in operation the Project, including obtaining governmental approvals, certificates, permits and licenses with respect thereto, heretofore or hereafter paid or accrued by the Seller, and shall include, but shall not be limited to:

(1) funds required for an operating reserve required by the Bond Indenture;

(2) funds required for the acquisition of initial inventory of fuel, supplies and other material for the Initial Project;

(3) the deposit or deposits from the proceeds of the sale of the Project Bonds required under the Bond Indenture to be made in any fund or account established pursuant to the Bond Indenture to meet Debt Service reserve requirements for Project Bonds;

(4) the deposit or deposits from the proceeds of the sale of the Project Bonds required under the Bond Indenture to be made in any fund or account established pursuant to the Bond Indenture as a reserve for renewals and replacements or contingencies with respect to the Project;

(5) interest accruing in whole or in part on the Project Bonds prior to and during construction and for such additional period as the Seller may reasonably deem to be necessary for placing the Project in commercial operation;

(6) training and testing costs incurred by Seller, preliminary investigation and development costs, engineering fees, contractors' fees, labor costs, the cost of materials, equipment, utility service and supplies, and legal and financing costs with respect to the Project;

(7) all costs of insurance obtained for the Project and applicable to the period of construction;

(8) all costs relating to injury and damage claims arising out of the construction of the Project, less proceeds of insurance maintained therefor;

(9) funds required for the payment of all federal, state and local taxes required to be paid in connection with the construction of the Project;

(10) the costs and expenses of the issue and sale of the Project Bonds including discounts to the underwriters or other purchasers thereof; and

(11) all other costs incurred by Seller and properly allocable to the acquisition and construction of the Project, including all costs financed by the issuance of additional bonds pursuant to Section 17.

(f) "Debt Service" shall mean, with respect to any period, the aggregate of the amounts required by the Bond Indenture to be paid during such period into any fund or funds created by the Bond Indenture for the sole purpose of paying the principal (including any sinking fund installments) of and premium, if any, and interest on the Project Bonds from time to time outstanding as the same shall become due; provided, however, that Debt Service shall not include payment of principal on any Project Bond which becomes due by reason of the acceleration of the maturity thereof under the Bond Indenture.

(g) "Entitlement Share" shall mean, with respect to any Water Purchaser for any Contract Year, that percentage shown opposite the name of such Water Purchaser on the Entitlement Share Schedule to this Contract.

(h) "Entitlement Share Schedule" shall mean the Entitlement Share Schedule attached to and incorporated as a part of this contract.

(i) "Month" shall mean a calendar month.

(j) "Point(s) of Delivery" shall mean the point or points of inter-connection between the facilities of, or available to, the Purchaser and the terminal facilities of the Project.

(k) "Project" shall mean the waterworks system constructed and equipped for the purpose of providing Water to the Seller and to the Point of Delivery for each Water Purchaser, including all related structures, facilities and equipment, together with any major renewals, replacements, repairs, additions, improvements, betterments and modifications necessary to keep the Project in good operating condition or to prevent a loss of revenues therefrom, and any improvements, repairs and modifications of the Project required by any governmental agency having jurisdiction over the Project.

(l) "Project Bonds" shall mean the Water Revenue Bonds, Series 1992 (Middlefork Water Company Project) of the Authority, additional bonds permitted by Section 17 hereof and refunding bonds permitted by Section 18 hereof but shall not include any other bonds.

(m) "Prudent Utility Practice" shall mean at a particular time any of the practices, methods and acts engaged in or approved by a significant portion of the water supply industry at such time, or which, in the exercise of reasonable judgment in light of facts known at such time, could have been expected to accomplish the

desired results at the lowest reasonable cost consistent with good business practices, reliability, safety and timeliness considering the fact that the Seller is a private corporation of the State of Missouri. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods and acts, having due regard for manufacturers' warranties and the requirements of governmental agencies of competent jurisdiction and shall apply not only to functional parts of the Project but also to appropriate structures, landscaping, painting, signs, lighting or other facilities and to public relations programs reasonably designed to promote public enjoyment, understanding and acceptance of the Project.

(n) "Purchaser Depreciation Reserve Fund" shall mean a separate fund and account maintained by the Purchaser for the purposes of providing for major renewals, replacements, improvements, repairs, additions, betterments or modifications necessary to keep the Purchaser's water distribution system (the "Purchaser's System") in good operating condition or to prevent a loss of revenues therefrom, and any improvements, repairs or modifications of the Purchaser's System required by any governmental agency having jurisdiction over the Purchaser's System or to the extent the Purchaser shall have insufficient funds to otherwise pay the Surcharge, to pay the Surcharge. Pending the application of money for the purposes set forth above, amounts deposited to the Purchaser's Depreciation Reserve Fund shall be invested at the direction of the Purchaser in obligations legally authorized for investment of funds of the Purchase and all investment income or gain shall be transferred when received to the Purchaser.

(o) "Rules and Regulations" shall mean those rules and/or regulations established from time to time by the Public Service Commission and the Departments of Natural Resources of the State of Missouri to which the Seller is subject for the operation of the Project.

(p) "Seller Depreciation Reserve Fund" shall mean a separate fund and account maintained by the Seller for the purposes of providing for major renewals, replacements, improvements, repairs, additions, betterments or modifications necessary to keep the Project in good operating condition or to prevent a loss of revenues therefrom, and any improvements, repairs or modifications of the Project required by any governmental agency having jurisdiction over the Project or to the extent the Purchaser shall fail to pay the Surcharge, to pay Debt Service on the Project Bonds. Pending the application of money for the purposes set forth above, amounts deposited to the Seller Depreciation Reserve Fund shall be invested at the direction of the Seller in obligations permitted under the Bond Indenture and all investment income or gain shall be transferred when received to the Seller. *And any withdrawals of said investment income to be credited to Purchaser's contributions under Section 7 PAMA(2)*

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(q) "Seller Depreciation Reserve Fund Deposit" shall mean an amount equal to the lesser of (i) 20% of the Surcharge or (ii) that amount necessary to cause the deposit in the Seller Depreciation Reserve Fund to equal the "Seller Depreciation Reserve Fund Requirement" (as such term is hereinafter defined). The Seller Depreciation Reserve Fund Requirement is an amount equal to 20% of the Debt Service on the Project Bonds coming due during the next twelve months.

(r) "Surcharge" shall mean the amount each Month owed by the Purchaser to the Seller determined by multiplying the Purchaser's Entitlement Share by the amount of Debt Service required under the Bond Indenture to be deposited during such Month into any fund or account established by the Bond Indenture.

(s) "Uncontrollable Forces" shall mean any cause beyond the control of the Seller and which by the exercise of due diligence the Seller is unable to prevent or overcome, including but not limited to an act of God, fire, flood, explosion, earthquake, strike, sabotage, pestilence, an act of the public enemy, civil or military authority, including court orders, injunctions and orders of governmental agencies with proper jurisdictions, insurrection or riot, an act of the elements, failure of equipment, inability of the Seller or any contractor engaged in work on the Project to obtain or ship materials or equipment because of the effect of similar causes on suppliers or carriers, or inability of the Seller to sell or issue Project Bonds.

(t) "Water" shall mean potable treated Water meeting applicable purity standards of the State of Missouri, Department of Natural Resources.

(u) "Water Purchasers" means the cities that are parties to the Water Supply Contracts (other than the Seller), and their successors and assigns pursuant to the Water Supply Contracts, consisting of the following:

City of Grant City; and  
City of Stanberry.

Additional cities, public water supply districts, other municipal entities, and utilities subject to the jurisdiction of the Public Service Commission of the State of Missouri, may be added as "Water Purchasers" for subsequent projects approved for the issuance of additional bonds as specified in a supplemental indenture.

(v) "Water Rate" shall mean the amount established by the Seller and approved by the Public Service Commission of the State of Missouri; PROVIDED, HOWEVER, that nothing contained herein shall be construed as prohibiting either Seller or Purchaser from seeking judicial review of any decision or order of said Public Service Commission to the extent allowed by law.



(w) "Water Supply Contracts" shall mean this Contract and the Water Supply Contracts substantially similar hereto (with such changes as may be necessary to reflect the municipal or corporate nature of the Water Purchaser) between the Seller and a Water Purchaser providing for the purchase and sale of Water from the Project, as the same may be amended from time to time pursuant thereto.

### Section 3. Effective Date, Term.

Upon execution by all Water Purchasers of their Water Supply Contracts, this Contract shall be in full force and effect as of the date of execution hereof. The term of this Contract shall extend to the last day of the Contract Year in which the Project Bonds and the interest thereon have been paid in full or provision for the payment thereof shall have been made in accordance with the Bond Indenture.

### Section 4. Delivery Pressure.

The Seller agrees to furnish and the Purchaser is entitled to receive Water at a reasonably constant pressure of at least 35 lbs. per square inch and constant rate of flow of 300 gallons per minute at the Point of Delivery. Emergency failure of pressure or supply due to main supply line breaks, power failures, fire and use of Water to fight fire, earthquake or other catastrophe shall excuse the Seller from this provision for such reasonable period of time that may be necessary to restore service.

### Section 5. Delivery of Output, Notification.

Water required to be delivered to the Purchaser shall be delivered at the Point(s) of Delivery. The Seller agrees to notify the Purchaser in writing at least 30 days in advance of the estimated date of initial delivery of Water to the Purchaser.

### Section 6. Connection Charge.

The charge for one connection to the Initial Project shall be paid by the Seller. The cost of any additional or other connections shall be paid by the Purchaser. All connections shall be made in accordance with the Rules and Regulations, but in no event shall a connection charge be less than the actual cost of making such connection.

## Section 7. Payment.

(a) On or before the fifteenth (15th) day of each Month beginning with the Month following the initial Month of the first Contract Year the Seller shall render to the Purchaser a monthly statement representing:

(1) So long as any Project Bonds are outstanding, the Surcharge to the Purchaser;

(2) The Water Rate multiplied by the number of gallons of Water (in thousands) delivered to the Purchaser during the preceding Month at the Point of Delivery; and

(3) The Seller Depreciation Reserve Fund Deposit.

The Purchaser shall pay to the Seller the amounts shown on such statement on or before the twentieth (20th) day of such Month.

(b) Any other provision in this Contract to the contrary notwithstanding, the payments to be made pursuant to paragraph (a) above shall be due and payable at the office of Seller specified in Section 35 of this Contract whether or not the Project has been completed, is operating or operable or its production is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to any reduction, whether by offset, counterclaim, recoupment or otherwise, and shall not be conditioned upon the performance or nonperformance by the Seller or any other party under this Contract or any other agreement for any cause whatsoever including the Seller's inability to furnish Water.

(c) Amounts due and not paid by the Purchaser on or before the 30th day of the Month on which they are due shall bear an additional charge equal to the lesser of one and one-half percentum (1½%) per month, compounded monthly, or the maximum amount permitted under applicable law, until such amount and such additional charge are paid in full.

(d) In the event of any dispute as to any portion of any monthly statement, the Purchaser shall nevertheless pay the full amount shown on such statement when due and shall, within sixty (60) days from the date of such statement give written notice of the dispute to the Seller. Such notice shall identify the disputed statement, state the amount in dispute and set forth a full statement of the grounds on which such dispute is based. No adjustment shall be considered or made for disputed charges unless notice is given as aforesaid. The Seller shall give consideration to such dispute and shall advise the Purchaser with regard to the Seller's position relative thereto within thirty (30) days following receipt of such written notice. Upon determination of the correct amount, any difference between such correct amount and such full amount.

shall be subtracted from the statement next submitted to the Purchaser after such determination pursuant to paragraph (a) above.

(e) On or before the twentieth (20th) day of each Month beginning with the Month following the initial Month of the second Contract Year, the Purchaser shall establish and fund the Purchaser Depreciation Reserve fund with an amount equal to the excess of twenty (20%) percent of the Surcharge over the amount of the Seller's Depreciation Reserve Fund Deposit under Section 7(a)(3), above.

#### Section 8. Characteristics of Service.

(a) The Seller at all times, will operate and maintain the Project in an efficient manner and will take such action as may be necessary to furnish the Purchaser with Water in such quantity and quality as it may require. Temporary or partial failure to deliver Water shall be remedied with all possible dispatch. In the event of an extended shortage of Water, or if the supply of Water available to the Seller is otherwise diminished over an extended period of time, the supply of Water to the Purchaser shall be reduced or diminished in the same ratio or proportion as the supply to all Water Purchasers is reduced or diminished.

(b) This Contract is subject to such rules, regulations or other laws as may be applicable to similar agreements in the State of Missouri, including the Rules and Regulations, and, so long as the same are applicable, the Seller and the Purchaser will collaborate in obtaining such permits, certificates or the like as may be required to comply therewith.

(c) The Seller will establish, to the extent practicable, scheduled periods when the Project shall be shut down for maintenance and will give the Purchaser, whenever possible, at least one hundred twenty (120) days' notice of such periods.

(d) The Seller may temporarily interrupt or reduce delivery of Water from the Project if the Seller determines that such interruption or reduction is necessary in case of emergencies affecting the ability of the Seller to produce or deliver Water from the Project and in order to install equipment, make repairs and replacements to and make investigations and inspections of or perform maintenance work on the Project.

Except as interrupted or reduced by Uncontrollable Forces, or as otherwise provided in this Contract, the Seller shall operate the Project and deliver Water therefrom to the Purchaser in accordance with this Contract and the Rules and Regulations at all times during the term of this Contract commencing with the Commercial Operation Date.

(e) Nothing contained in this Contract shall be construed to prohibit the Seller from contracting with others for the ~~operation~~ <sup>tion</sup>, maintenance or dispatch of the Project.

Section 9. Measurement of Water Supply.

The Seller will furnish, install, operate and maintain at Point(s) of Delivery the necessary metering equipment, including a meter house or pit and required devices of standard type for properly measuring the quantity of Water delivered to the Purchaser and such flow controls, valves, and backflow prevention devices as may be required by the Rules and Regulations, and the same shall belong to the Seller. The Seller may calibrate or test such metering equipment whenever requested by the Purchaser, but not more frequently than every twelve (12) months, and shall test same without request at least annually. A meter not measuring more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the three (3) months previous to such test in accordance with the percentage of inaccuracy found by such test, and billings for such three (3) months shall be adjusted accordingly. If any meter fails to register for any period, the amount of Water furnished during such period shall be deemed to be the amount of Water delivered in the same period of the preceding year or such other amount as may be agreed upon by the Seller and the Purchaser. In the event that testing is performed at the written request of the Purchaser and no inaccuracy of more than two percent (2%) is found, then all costs of such testing shall be paid by the Purchaser, otherwise such costs shall be paid by the Seller. Any adjustment, when made, shall constitute full adjustment of any claim between the Seller and the Purchaser arising out of such inaccuracy of metering equipment. The metering equipment shall be read on or about the last day of each Month.

Section 10. Standard of Construction.

The Seller shall construct, operate, maintain and manage the Project in an efficient and economical manner consistent with Prudent Utility Practice.

Section 11. Records and Accounts.

The Seller will keep accurate records and accounts of the Project. Said records and accounts shall be subjected to an audit as of the end of and for each Contract Year by a firm of independent certified public accountants selected by the Seller, which firm shall be experienced in waterworks utility accounting. Such firm's audit report shall be submitted to the Seller, with a copy to the Purchaser, within ninety (90) days after the end of such Contract Year.

## Section 12. The Seller's Rate Covenant.

The Seller will establish, maintain and collect rates and charges for the Water and water supply service of its Project so as to provide revenues at least sufficient, together with available Project reserves, to enable the Seller to make all payments required to be made by it under the Bond Indenture and all other lawful charges against or liens on the revenues of its Project.

## Section 13. Financing and Regulatory Approvals for the Project.

(a) The Seller shall use its best efforts to cause the Authority to issue and sell the Project Bonds at such time and from time to time in an aggregate amount sufficient to provide funds for payment of the Cost of Acquisition and Construction, provided that no Project Bonds shall be issued so long as any Water Supply Contract shall be subject to termination pursuant to paragraphs (a), (b), (c) or (d) of Section 30. In connection therewith, the Purchaser shall furnish at its own expense such information and documents, including financial statements, legal opinions and engineering reports, as the Seller shall reasonably request.

(b) The Seller shall proceed in accordance with Prudent Utility Practice to obtain all licenses, permits and other rights and regulatory approvals necessary to the construction and operation of the Project and shall prosecute such construction with due diligence to completion in accordance with Prudent Utility Practice. The Seller shall use its best efforts to achieve a Commercial Operation Date during the first quarter of 1992 but shall not be responsible for delays caused by Uncontrollable Forces or regulatory processes.

## Section 14. The Purchaser's Rate Covenant.

The Purchaser will establish, maintain and collect rates and charges for the waterworks services of its waterworks system so as to provide revenues at least sufficient, together with available waterworks system reserves, to enable the Purchaser to make all payments required to be made by it under this Contract and all other lawful charges against or liens on the revenues of its waterworks system.

## Section 15. Facilities to be Provided by the Purchaser.

The Purchaser shall contract for or provide, operate and maintain, all without cost or expense to the Seller, such Water lines, pumps and other facilities as may be necessary to enable it to receive and use Water purchased under this Contract at and from the Point(s) of Delivery, including such protective devices

as may be necessary in the reasonable judgment of the Seller to protect the Project and the waterworks systems of all other Water Purchasers from disturbance thereto caused by the Purchaser.

#### Section 16. Source of the Purchaser's Payments.

The obligation of the Purchaser to make payments to the Seller under Section 7 of this Contract shall be limited to the obligation to make payments from revenues of the Purchaser's waterworks system and available waterworks utility system reserves. All payments made by the Purchaser pursuant to this Contract shall constitute operation and maintenance expenses of its waterworks system. The Purchaser shall not be obligated to levy any taxes, general or special, for the purpose of paying to the Seller any sum due under Section 7.

#### Section 17. Additional Bonds.

Additional bonds may be issued and sold by the Seller in accordance with the provisions of the Bond Indenture at any time and from time to time in the event funds are required to pay all or a portion of the cost of (i) any major renewals, replacements, repairs, additions, improvements, betterments and modifications to the Project necessary to keep the Project in good operating condition or to prevent a loss of revenues therefrom, (ii) any major additions, improvements, repairs or modifications to the Project required by any governmental agency having jurisdiction over the Project or for which the Seller shall be responsible by virtue of any obligation of the Seller arising out of any contract to which the Seller may be a party relating to the ownership of the Project and (iii) additional water supplies for the Project in any Contract Year to the extent that sufficient funds are not available in any reserves for such purpose under the Bond Indenture.

#### Section 18. Refunding Bonds.

In the event that the Surcharge may be reduced by the refunding at any time of all or from time to time of less than all of the Project Bonds then outstanding or in the event it shall otherwise be advantageous in the opinion of the Seller to refund any Project Bonds, the Seller may seek the issuance and sale of refunding bonds by the Authority.

#### Section 19. Excess Funds.

In the event the proceeds derived from the sale of the Project Bonds exceed in the aggregate the aggregate amount of funds required for the purposes specified in this Contract for the

application thereof, the amount of such excess shall be used to retire the Project Bonds by purchase or redemption in the manner permitted under the Bond Indenture.

#### Section 20. Other Bonds.

This Contract shall not be interpreted to restrict the amount of or purpose for which bonds other than the Project Bonds may be issued under the Bond Indenture except that the Seller may not issue bonds under the Bond Indenture prior in right in any manner to the Project Bonds.

#### Section 21. Sale of Water Not Taken by the Purchaser.

Any Water, which the Purchaser is entitled to receive under this Contract but does not take for its own use, may be sold by the Purchaser to any party upon such terms and conditions as the Purchaser in its discretion, subject only to the Rules and Regulations, shall determine, and all receipts, revenues and other moneys received shall be retained by the Purchaser, but in no event shall the Purchaser make any sale or sales that might adversely affect the tax exempt status of any Project Bonds.

#### Section 22. Other Sales of Water.

It is understood that, as between the Purchaser and the Seller, subject to the provisions of the Bond Indenture, the Seller may sell Water which the Purchaser is not entitled to receive pursuant to this Contract on such terms and conditions as the Seller in its discretion shall determine.

#### Section 23. Purchaser's Approval Required for Certain Expenditures.

No renewal, replacement, repair, addition, improvement, betterment, or modification of the project costing more than \$10,000.00 shall be made by Seller unless it shall have been duly approved by Purchaser, which approval shall not be unreasonably withheld, but such approval shall not be required for any such renewal, replacement, repair, addition, improvement, betterment, or modification mandated by the Rules and Regulations or any other applicable law, statute, or administrative rule, regulation, or order.

#### Section 24. Credit for Sale of Surplus Property.

The Seller shall apply, as a credit against the Water Rate, all receipts, revenues and other moneys received by it from the

sale of surplus equipment, materials, and supplies relating to the Project.

Section 25. Default by the Water Purchasers, Remedies of the Seller.

(a) In the event any Water Purchaser shall fail to perform any obligation under its Water Supply Contract, including failure to make to the Seller when due any payment for which provision is made therein, the Seller shall have, in addition to any other rights or remedies it may have under law, the following rights and remedies:

(1) the Seller may bring any suit, action or proceedings in law or in equity, including mandamus and action for specific performance, as may be necessary and appropriate to enforce against such Water Purchaser any covenant, agreement or obligation to make any payment for which provision is made in its Water Supply Contract;

(2) if such failure shall continue for fifteen (15) days following written notice to such Water Purchaser from the Seller specifying such failure, the Seller may at any time thereafter, upon 10 days' written notice to such Water Purchaser, cease and discontinue delivering Water to such Water Purchaser so long as such failure shall continue; provided, however, that any such cessation and discontinuance shall not relieve such Water Purchaser of any obligation under such Water Supply Contract, including the obligation to pay amounts becoming due on and after the date of such cessation and discontinuance; and

(3) whether or not the Seller shall have ceased and discontinued delivering Water pursuant to clause (2) above, if such failure shall continue for six months following written notice to such Water Purchaser from the Seller specifying such failure, the Seller may at any time thereafter while such failure shall be continuing, upon written notice to such Water Purchaser, terminate such Water Supply Contract; provided, however, that any such termination shall not relieve such Water Purchaser of the obligation to pay any amounts required to be paid under such Water Supply Contract with respect to any Month ending on or prior to such termination and for the Month in which such termination shall occur, without proration.

(b) The cessation and discontinuance of the delivery of Water to any Water Purchaser, or the termination of any Water Supply Contract, shall not change the Entitlement Share of any other Water Purchaser.



#### Section 26. Default by the Seller.

In the event of any default by the Seller in the performance of any of its obligations under this Contract, the Purchaser may avail itself of any remedy before the Public Service Commission, and, after having exhausted its administrative remedies to the extent required by law, may bring any suit, action or proceeding in law or in equity, including mandamus, injunction, and action for specific performance as may be necessary or appropriate to enforce such obligation against the Seller, but the same shall not give the Purchaser the right to discontinue the performance of its obligations under this Contract.

#### Section 27. Abandonment of Remedy, No Waiver.

In the event any action or proceeding taken by the Seller or the Purchaser in connection with any default by the other shall have been discontinued or abandoned for any reason, the Seller and the Purchaser shall be restored to their former positions under this Contract, and all rights, remedies, powers and obligations of the Seller and the Purchaser shall continue as though no such action or proceeding had been taken. The failure of either party to insist in any one or more instances upon strict performance by the other of this Contract or to take advantage of any of its rights hereunder shall not be construed as a waiver or relinquishment.

#### Section 28. Assignment, Sale of the Purchaser's System.

(a) This Contract shall inure to the benefit of and be binding upon the respective successors and assigns of the parties to this Contract; provided, however, that, except as otherwise provided in this Contract in the event of a default and except for the assignment by the Seller authorized in paragraph (b) below, neither this Contract nor any interest herein shall be transferred or assigned by either party hereto except with the consent in writing of the other. No assignment or transfer shall relieve the assigning or transferring party of any obligation contained in this Contract. The Purchaser acknowledges that the rights of the Seller to transfer or assign its interest in this Contract may be limited by the Bond Indenture.

(b) The Purchaser acknowledges and agrees that the Seller may pledge and assign to the trustee designated in the Bond Indenture all of the Seller's right, title and interest in and to all payments to be made to the Seller by the Purchaser under this Contract as security for the payment of the principal (including sinking fund installments) of and premium, if any, and interest on the Project Bonds, and, upon the execution of such pledge and assignment such trustee shall have all of the rights and remedies provided to the Seller with respect thereto.

(c) The Purchaser agrees that it will not sell or otherwise dispose of its water distribution system except on ninety (90) days' prior written notice to the Seller, and in any event will not sell or otherwise dispose of the same in a manner that in the judgment of the Seller adversely affects the value of this Contract as security for the payment of the Project Bonds without the prior written consent of the Seller.

Section 29. Purchasers' Right of First Refusal to Purchase Project or Stock in Seller; Sale of Project or Stock in Seller.

(a) If Seller, within 50 years from the date of this Contract, elects to sell the Project, or in the event of a sale within 50 years from the date of this Contract of more than 50% of the voting stock in Seller, the Purchasers shall have the first opportunity to purchase the Project or said stock, as the case may be. In the event of an intended sale, Seller or the holders of said stock shall give written notice to Purchasers of intent to sell, setting forth the terms and price of sale. Upon receipt of said notice, each Purchaser shall have a right to purchase a fractional interest of the Project or said stock equal to its Entitlement Share for the price (multiplied by the Entitlement Share) and upon the terms set forth in the notice. If the Purchaser wishes to purchase, it shall elect to do so in writing delivered to Seller or its shareholders, as the case may be, within 60 days after receipt of notice. If some but not all Purchasers elect to purchase, those so electing shall have an additional 30 days in which to file an election to purchase the entire Project or stock offered for sale. If, after the expiration of all time periods provided herein, Purchasers have not expressed in writing their intent to purchase all of the Project or stock offered for sale, the Seller or its shareholders, as the case may be, may sell the Project or stock in Seller to a third party for the price and upon the same terms offered to Purchasers.

(b) If Seller, within 50 years from the date of this Contract, shall sell the Project, or if within 50 years from the date of this Contract, more than 50% of the voting stock in Seller shall be sold to someone other than a Purchaser hereunder, the net sale price shall be divided as follows: (1) one-third to Seller or Seller's stockholders, as the case may be, and (2) each Purchaser shall receive a percentage of the remaining two-thirds of the net sale proceeds equal to its Entitlement Share. For purposes of this provision, "net sales price" means in the case of a sale of the Project, the total sales price received less expenses of sale, amounts necessary to pay accrued taxes to discharge liens against the Project, to discharge any indebtedness of the Project incurred in the carrying out of Prudent Utility Practice, and to pay any state or federal income tax incurred as a result of said sale; and, in the case of a sale of stock of Seller, the total sales price received less expenses of sale and amounts necessary to pay any state or federal income taxes incurred as a result of said sale.

(c) Any distribution, transfer, or other disposition that does not result in recognition of gain under the Internal Revenue Code, or any distribution of the Project to stockholders of Seller, shall not constitute a "sale" for purposes of this Section, but the Project or stock in such event shall pass to the transferee subject to the right of Purchasers to purchase the Project or stock, or to share in the proceeds of a sale, in the event of a sale by said transferee.

### Section 30. Termination, Amendment.

(a) This Contract may not be terminated by either party hereto under any circumstances, including upon the default of the other party, except as otherwise specifically provided in this Contract.

(b) If the Authority shall not have issued and sold any Project Bonds prior to the expiration of twenty-four (24) Months from the effective date of this Contract, this Contract shall automatically terminate.

(c) This Contract may be terminated by the Seller at any time prior to the first issuance of the Project Bonds by notice to the Purchaser if:

(1) a decision shall have rendered in any judicial determination with respect to the proposed issue and sale of the Project Bonds which the Seller, in its judgment, determines shall prevent the issuance of the Project Bonds of reasonable terms, or

(2) the Seller shall not have obtained all the permits and approvals deemed necessary by the Seller to be obtained prior to the issuance and sale of the Project Bonds, or

(3) the Seller is unable to arrange the sale of the Project Bonds at an effective interest rate satisfactory to the Seller. *Purchaser*

(d) If any Water Supply Contract with any Water Purchaser is terminated pursuant to any provision similar to paragraphs (b) or (c) above, this Contract shall automatically terminate and the Seller shall so notify the Purchaser.

(e) If this Contract shall be terminated pursuant to paragraphs (b), (c) or (d) of this Section 30, neither the Seller nor the Purchaser shall have any liability to the other, including any liability for costs and expenses to the other, except costs related to the bond election.

(f) This Contract may not be amended, modified or otherwise altered in any manner except in writing signed by both

parties. The Purchaser acknowledges that the Bond Indenture may contain provisions restricting the right of the Seller to amend, modify or alter this Contract.

#### Section 31. Compliance with Laws.

The Purchaser shall not dispose of Water to which it is entitled pursuant to this Contract in any manner which would cause the sale thereof by the Seller to the Purchaser to contravene any provision of law at the time applicable thereto.

#### Section 32. Taxes.

In the event that any Federal, state or local tax shall be levied upon the sale and delivery of Water to the Purchaser pursuant to this Contract or upon the Seller measured by the Water sold to the Purchaser or the revenue received by the Seller therefrom, the amount of such tax shall be added to the next statement rendered to the Purchaser pursuant to Section 7.

#### Section 33. Governing Law.

This Contract shall be governed by and construed in accordance with the laws of the State of Missouri.

#### Section 34. Notices and Computation of Time.

Any notice which may be or is required to be given under this Contract shall be deemed properly given if mailed postage prepaid and addressed to the Seller at Route 1, Box 54A, Maryville, Missouri 64468, and to the Purchaser at City Hall, Stanberry, Missouri 64489; and in computing any period of time from such notice, such period shall commence at 12:01 a.m. on the day following the date such notice was mailed. The foregoing designations and addresses to which notices shall be addressed may be changed at any time and from time to time by giving notice as above provided.

#### Section 35. Addresses for Statements and Payments.

(a) Statements rendered by the Seller pursuant to Section 7 shall be mailed to the Purchaser, addressed as follows: City Hall, Stanberry, Missouri 64489.

(b) Payment of statements rendered by the Seller pursuant to Section 7 shall be made to the Seller at Route 1, Box 54A, Maryville, Missouri 64468, in a manner so that the Seller will have funds available at the opening of business on the day such payment shall become due.

(c) In the event that any day on which any payment under this Contract shall become due shall be a Saturday or Sunday or a holiday recognized by the Seller, the payment shall be made on the next preceding day which is not a Saturday, Sunday or such holiday.

#### Section 36. Severability.

In the event that any provision in this Contract is declared illegal or no longer in force by reason of any judgment or order issued by any court or regulatory body of jurisdiction, all remaining provisions of this Contract not affected by such judgment or order shall continue in full force and effect.

#### Section 37. Reports and Information.

Each party hereto shall furnish to the other party such reports and information concerning its operations as the other party may reasonably request from time to time.

#### Section 38. Right of Access.

Each party grants to the other party right of access to its premises to install, maintain, operate, repair, and renew any and all equipment, apparatus and devices owned or operated by such other party and necessary in the performance of this Contract.

#### Section 39. Liability of the Seller.

The Seller shall not be liable to the Purchaser for any failure of the Seller to perform its obligations to the Purchaser due to Uncontrollable Forces and in no event shall be liable to the Purchaser for any consequential damages.

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IN WITNESS WHEREOF, this Contract is executed by the duly authorized officers or representatives of the parties, pursuant to authority vested in them by the lawful action of their respective council, commission, or board, as of the day and year first above written.

MIDDLEFORK WATER COMPANY

ATTEST:

Ruth Donaldson  
Secretary

By: B. H. H.

President

CITY OF STANBERRY, MISSOURI

(SEAL)  
ATTEST:

Perry By  
City Clerk

By: John L. Caldwell

Mayor

ENTITLEMENT SHARE SCHEDULE

Entitlement Share for Term of Contract Years

For City of Stanberry

50%

## TRANSACTION REPORT

P.01/01

FRI-SEP-07-2007 09:04 AM

FAX(RX)

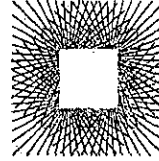
#	DATE	START T.	SENDER	COM.TIME	PAGE	TYPE/NOTE	FILE
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Securities Servicing

The Bank of New York  
Trust Company, N.A.

911 Washington Avenue, Suite 300  
St. Louis, MO 63101



*The* **BANK**  
*of* **NEW YORK.**

March 16, 2007

Middlefork Water Company Project  
Attn: Brock Pfost  
PO Box 468  
Maryville, MO 64468

Re: Missouri State Environmental & Energy Resources Authority Water Facilities  
Revenue Bonds (Middlefork Water Company Project Series 2001), CTAS 49176

Dear Mr. Pfost:

We have calculated your payments for the next six months, beginning May 30, 2007 to be \$16,826.17 as described below. These payments are due on, or before, the last business day of each month.

Interest payment 11/1/2007	\$20,917.50
Less Available Funds	<u>(1,668.29)</u>
Net Interest 5/1/2007	19,249.21
 Principal payment 05/1/2008	 150,000.00
 Monthly Payment:	
1/6 of Net Interest Payment	\$3,208.21
1/12 of Principal Payment	<u>12,500.00</u>
Monthly Payment	<u>\$15,708.21</u>

The payment due April , 2007 will remain in the amount of \$15,064.12.

When making your payment please include the "TAS Number" (as listed below) on you check or wire transfer to accurately record your payment. NOTE: IF REMITTING PAYMENT BY CHECK, THE CHECK MUST BE RECEIVED BY BNY FIVE (5) BUSINESS DAYS BEFORE THE PAYMENT DATES OF 5/1 & 11/1.

CHECK: BNY TRUST CO. OF MISSOURI  
ATTN: REBEKAH FOLTZ  
911 WASHINGTON AVENUE  
ST LOUIS, MO 63101

WIRE: THE BANK OF NEW YORK  
ABA #: 021000018  
GLA 111-565  
TAS #: 746119  
REF: Middlefork 2001

If you should have any questions please feel free to contact me at 314-613-8271 or [rfoltz@bankofny.com](mailto:rfoltz@bankofny.com).

Sincerely,

Rebekah A. Foltz  
Vice President

**Exhibit C**

Attachment C

Calculation of CIAC

The State Environmental Improvement and Energy Resources Bonds

Month/Year	Principal	Interest	Total Surcharge	Cumulative Bond Principal Paid
Nov. 30, 1992	\$ -	\$ 9,395.00	\$ 9,395.00	\$ 24,020.65
Dec. 31, 1992	\$ 3,944.46	\$ 11,029.79	\$ 14,974.25	\$ 27,965.11
Jan. 31, 1993	\$ 5,347.23	\$ 11,029.79	\$ 16,377.02	\$ 33,312.34
Feb. 28, 1993	\$ 5,347.23	\$ 11,029.79	\$ 16,377.02	\$ 38,659.57
Mar. 31, 1993	\$ 5,347.23	\$ 11,029.79	\$ 16,377.02	\$ 44,006.80
Apr. 30, 1993	\$ 5,347.23	\$ 11,029.79	\$ 16,377.02	\$ 49,354.03
May 31, 1993	\$ -	\$ 10,812.08	\$ 10,812.08	\$ 49,354.03
Jun. 30, 1993	\$ 4,179.20	\$ 10,812.08	\$ 14,991.28	\$ 53,533.23
Jul. 31, 1993	\$ 4,583.33	\$ 10,812.08	\$ 15,395.41	\$ 58,116.56
Aug. 31, 1993	\$ 4,583.33	\$ 10,812.08	\$ 15,395.41	\$ 62,699.89
Sept. 30, 1993	\$ 4,583.33	\$ 10,812.08	\$ 15,395.41	\$ 67,283.22
Oct. 31, 1993	\$ 4,583.33	\$ 10,812.08	\$ 15,395.41	\$ 71,866.55
Nov. 30, 1993	\$ 4,583.33	\$ 10,812.08	\$ 15,395.41	\$ 76,449.88
Dec. 31, 1993	\$ 4,583.33	\$ 10,812.08	\$ 15,395.41	\$ 81,033.21
Jan. 31, 1994	\$ 4,583.33	\$ 10,812.08	\$ 15,395.41	\$ 85,616.54
Feb. 28, 1994	\$ 4,583.33	\$ 10,812.08	\$ 15,395.41	\$ 90,199.87
Mar. 31, 1994	\$ 4,583.33	\$ 10,812.08	\$ 15,395.41	\$ 94,783.20
Apr. 30, 1994	\$ 4,583.33	\$ 10,812.08	\$ 15,395.41	\$ 99,366.53
May 31, 1994	\$ -	\$ 10,582.90	\$ 10,582.90	\$ 99,366.53
Jun. 30, 1994	\$ -	\$ 10,582.90	\$ 10,582.90	\$ 99,366.53
Jul. 31, 1994	\$ 4,440.00	\$ 10,582.90	\$ 15,022.90	\$ 103,806.53
Aug. 31, 1994	\$ 5,000.00	\$ 10,582.90	\$ 15,582.90	\$ 108,806.53
Sept. 30, 1994	\$ 5,000.00	\$ 10,582.90	\$ 15,582.90	\$ 113,806.53
Oct. 31, 1994	\$ 5,000.00	\$ 10,582.90	\$ 15,582.90	\$ 118,806.53
Nov. 30, 1994	\$ 5,000.00	\$ 10,582.90	\$ 15,582.90	\$ 123,806.53
Dec. 31, 1994	\$ 5,000.00	\$ 10,582.90	\$ 15,582.90	\$ 128,806.53
Jan. 31, 1995	\$ 5,000.00	\$ 10,582.90	\$ 15,582.90	\$ 133,806.53
Feb. 28, 1995	\$ 5,000.00	\$ 10,582.90	\$ 15,582.90	\$ 138,806.53
Mar. 31, 1995	\$ 5,000.00	\$ 10,582.90	\$ 15,582.90	\$ 143,806.53
Apr. 30, 1995	\$ 5,000.00	\$ 10,582.90	\$ 15,582.90	\$ 148,806.53
May 31, 1995	\$ -	\$ -	\$ -	\$ 148,806.53
Jun. 30, 1995	\$ -	\$ 5,661.36	\$ 5,661.36	\$ 148,806.53
Jul. 31, 1995	\$ 5,000.00	\$ 10,312.92	\$ 15,312.92	\$ 153,806.53
Aug. 31, 1995	\$ 5,000.00	\$ 10,312.92	\$ 15,312.92	\$ 158,806.53
Sept. 30, 1995	\$ 5,000.00	\$ 10,312.92	\$ 15,312.92	\$ 163,806.53
Oct. 31, 1995	\$ 5,000.00	\$ 10,312.92	\$ 15,312.92	\$ 168,806.53
Nov. 30, 1995	\$ 5,000.00	\$ 10,312.92	\$ 15,312.92	\$ 173,806.53
Dec. 31, 1995	\$ 5,000.00	\$ 10,312.92	\$ 15,312.92	\$ 178,806.53
Jan. 31, 1996	\$ 5,000.00	\$ 10,312.92	\$ 15,312.92	\$ 183,806.53
Feb. 29, 1996	\$ 5,000.00	\$ 10,312.92	\$ 15,312.92	\$ 188,806.53
Mar. 31, 1996	\$ 5,000.00	\$ 10,312.92	\$ 15,312.92	\$ 193,806.53
Apr. 30, 1996	\$ 5,000.00	\$ 10,312.92	\$ 15,312.92	\$ 198,806.53
May 31, 1996	\$ -	\$ 2,152.49	\$ 2,152.49	\$ 198,806.53
Jun. 30, 1996	\$ 5,000.00	\$ 10,032.92	\$ 15,032.92	\$ 203,806.53
Jul. 31, 1996	\$ 5,000.00	\$ 10,032.92	\$ 15,032.92	\$ 208,806.53
Aug. 31, 1996	\$ 5,000.00	\$ 10,032.92	\$ 15,032.92	\$ 213,806.53
Sept. 30, 1996	\$ 5,000.00	\$ 10,032.92	\$ 15,032.92	\$ 218,806.53

The State Environmental Improvement and Energy Resources Bonds

Month/Year	Principal	Interest	Total Surcharge	Cumulative Bond Principal Paid
Oct. 31, 1996	\$ 5,000.00	\$ 10,032.92	\$ 15,032.92	\$ 223,806.53
Nov. 30, 1996	\$ 5,000.00	\$ 10,032.92	\$ 15,032.92	\$ 228,806.53
Dec. 31, 1996	\$ 5,000.00	\$ 10,032.92	\$ 15,032.92	\$ 233,806.53
Jan. 31, 1997	\$ 5,000.00	\$ 10,032.92	\$ 15,032.92	\$ 238,806.53
Feb. 28, 1997	\$ 5,000.00	\$ 10,032.92	\$ 15,032.92	\$ 243,806.53
Mar. 31, 1997	\$ 5,000.00	\$ 10,032.92	\$ 15,032.92	\$ 248,806.53
Apr. 30, 1997	\$ 5,000.00	\$ 10,032.92	\$ 15,032.92	\$ 253,806.53
May 31, 1997	\$ -	\$ -	\$ -	\$ 253,806.53
Jun. 30, 1997	\$ 5,833.33	\$ 6,492.55	\$ 12,325.88	\$ 259,639.86
Jul. 31, 1997	\$ 5,833.33	\$ 9,718.75	\$ 15,552.08	\$ 265,473.19
Aug. 31, 1997	\$ 5,833.33	\$ 9,718.75	\$ 15,552.08	\$ 271,306.52
Sept. 30, 1997	\$ 5,833.33	\$ 9,718.75	\$ 15,552.08	\$ 277,139.85
Oct. 31, 1997	\$ 5,833.33	\$ 9,718.75	\$ 15,552.08	\$ 282,973.18
Nov. 30, 1997	\$ 5,833.33	\$ 9,718.75	\$ 15,552.08	\$ 288,806.51
Dec. 31, 1997	\$ 5,833.33	\$ 9,718.75	\$ 15,552.08	\$ 294,639.84
Jan. 31, 1998	\$ 5,833.33	\$ 9,718.75	\$ 15,552.08	\$ 300,473.17
Feb. 28, 1998	\$ 5,833.33	\$ 9,718.75	\$ 15,552.08	\$ 306,306.50
Mar. 31, 1998	\$ 5,833.33	\$ 9,718.75	\$ 15,552.08	\$ 312,139.83
Apr. 30, 1998	\$ 5,833.33	\$ 9,718.75	\$ 15,552.08	\$ 317,973.16
May 31, 1998	\$ 6,250.00	\$ 679.70	\$ 6,929.70	\$ 324,223.16
Jun. 30, 1998	\$ 6,250.00	\$ 9,368.75	\$ 15,618.75	\$ 330,473.16
Jul. 31, 1998	\$ 6,250.00	\$ 9,368.75	\$ 15,618.75	\$ 336,723.16
Aug. 31, 1998	\$ 6,250.00	\$ 9,368.75	\$ 15,618.75	\$ 342,973.16
Sept. 30, 1998	\$ 6,250.00	\$ 9,368.75	\$ 15,618.75	\$ 349,223.16
Oct. 31, 1998	\$ 6,250.00	\$ 9,368.75	\$ 15,618.75	\$ 355,473.16
Nov. 30, 1998	\$ 6,250.00	\$ 9,368.75	\$ 15,618.75	\$ 361,723.16
Dec. 31, 1998	\$ 6,250.00	\$ 9,368.75	\$ 15,618.75	\$ 367,973.16
Jan. 31, 1999	\$ 6,250.00	\$ 9,368.75	\$ 15,618.75	\$ 374,223.16
Feb. 28, 1999	\$ 6,250.00	\$ 9,368.75	\$ 15,618.75	\$ 380,473.16
Mar. 31, 1999	\$ 6,250.00	\$ 9,368.75	\$ 15,618.75	\$ 386,723.16
Apr. 30, 1999	\$ 6,250.00	\$ 9,368.75	\$ 15,618.75	\$ 392,973.16
May 31, 1999	\$ 11,761.95	\$ 8,984.38	\$ 20,746.32	\$ 404,735.11
Jun. 30, 1999	\$ 1,603.71	\$ 8,984.38	\$ 10,588.08	\$ 406,338.81
Jul. 31, 1999	\$ 6,666.67	\$ 8,984.38	\$ 15,651.04	\$ 413,005.48
Aug. 31, 1999	\$ 6,666.67	\$ 8,984.38	\$ 15,651.04	\$ 419,672.14
Sept. 30, 1999	\$ 6,666.67	\$ 8,984.38	\$ 15,651.04	\$ 426,338.81
Oct. 31, 1999	\$ 6,666.67	\$ 8,984.38	\$ 15,651.04	\$ 433,005.48
Nov. 30, 1999	\$ 6,666.67	\$ 8,984.38	\$ 15,651.04	\$ 439,672.14
Dec. 31, 1999	\$ 6,666.67	\$ 8,984.38	\$ 15,651.04	\$ 446,338.81
Jan. 31, 2000	\$ 6,666.67	\$ 8,984.38	\$ 15,651.04	\$ 453,005.48
Feb. 29, 2000	\$ 6,666.67	\$ 8,984.38	\$ 15,651.04	\$ 459,672.14
Mar. 31, 2000	\$ 6,666.67	\$ 8,984.38	\$ 15,651.04	\$ 466,338.81
Apr. 30, 2000	\$ 6,666.67	\$ 8,984.38	\$ 15,651.04	\$ 473,005.48
May 31, 2000	\$ 7,083.33	\$ 8,564.38	\$ 11,984.42	\$ 480,088.81
Jun. 30, 2000	\$ 7,083.33	\$ 8,564.38	\$ 15,647.71	\$ 487,172.14
Jul. 31, 2000	\$ 7,083.33	\$ 8,564.38	\$ 15,647.71	\$ 494,255.48
Aug. 31, 2000	\$ 7,083.33	\$ 8,564.38	\$ 15,647.71	\$ 501,338.81

**The State Environmental Improvement and Energy Resources Bonds**

Month/Year	Principal	Interest	Total Surcharge	Cumulative Bond Principal Paid
Sept. 30, 2000	\$ 7,083.33	\$ 8,564.38	\$ 15,647.71	\$ 508,422.14
Oct. 31, 2000	\$ 7,083.33	\$ 8,564.38	\$ 15,647.71	\$ 515,505.48
Nov. 30, 2000	\$ 7,083.34	\$ 8,564.38	\$ 15,647.72	\$ 522,588.82
Dec. 31, 2000	\$ 7,083.34	\$ 8,564.38	\$ 15,647.72	\$ 529,672.16
Jan. 31, 2001	\$ 7,083.34	\$ 8,564.38	\$ 15,647.72	\$ 536,755.50
Feb. 28, 2001	\$ 7,083.34	\$ 8,564.38	\$ 15,647.72	\$ 543,838.84
Mar. 31, 2001	\$ 7,083.34	\$ 8,564.38	\$ 15,647.72	\$ 550,922.18
Apr. 30, 2001	\$ 7,083.34	\$ 8,564.38	\$ 15,647.72	\$ 558,005.52
May 31, 2001	\$ 10,000.00	\$ 6,275.00	\$ 16,275.00	\$ 568,005.52
Jun. 30, 2001	\$ 10,000.00	\$ 6,275.00	\$ 16,275.00	\$ 578,005.52
Jul. 31, 2001	\$ 10,000.00	\$ 6,275.00	\$ 16,275.00	\$ 588,005.52
Aug. 31, 2001	\$ 10,000.00	\$ 6,275.00	\$ 16,275.00	\$ 598,005.52
Sept. 30, 2001	\$ 10,000.00	\$ 6,275.00	\$ 16,275.00	\$ 608,005.52
Oct. 31, 2001	\$ 10,000.00	\$ 6,275.00	\$ 16,275.00	\$ 618,005.52
Nov. 30, 2001	\$ 10,000.00	\$ 6,275.00	\$ 16,275.00	\$ 628,005.52
Dec. 31, 2001	\$ 10,000.00	\$ 5,900.00	\$ 15,900.00	\$ 638,005.52
Jan. 31, 2002	\$ 10,000.00	\$ 5,900.00	\$ 15,900.00	\$ 648,005.52
Feb. 28, 2002	\$ 10,000.00	\$ 5,900.00	\$ 15,900.00	\$ 658,005.52
Mar. 31, 2002	\$ 10,000.00	\$ 5,900.00	\$ 15,900.00	\$ 668,005.52
Apr. 30, 2002	\$ 10,000.00	\$ 5,900.00	\$ 15,900.00	\$ 678,005.52
May 31, 2002	\$ 10,000.00	\$ 5,900.00	\$ 15,900.00	\$ 688,005.52
Jun. 30, 2002	\$ 10,000.00	\$ 5,900.00	\$ 15,900.00	\$ 698,005.52
Jul. 31, 2002	\$ 10,000.00	\$ 5,900.00	\$ 15,900.00	\$ 708,005.52
Aug. 31, 2002	\$ 10,000.00	\$ 5,900.00	\$ 15,900.00	\$ 718,005.52
Sept. 30, 2002	\$ 10,000.00	\$ 5,900.00	\$ 15,900.00	\$ 728,005.52
Oct. 31, 2002	\$ 10,000.00	\$ 5,900.00	\$ 15,900.00	\$ 738,005.52
Nov. 30, 2002	\$ 10,000.00	\$ 5,900.00	\$ 15,900.00	\$ 748,005.52
Dec. 31, 2002	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 758,422.19
Jan. 31, 2003	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 768,838.86
Feb. 28, 2003	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 779,255.53
Mar. 31, 2003	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 789,672.20
Apr. 30, 2003	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 800,088.87
May 31, 2003	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 810,505.54
Jun. 30, 2003	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 820,922.21
Jul. 31, 2003	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 831,338.88
Aug. 31, 2003	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 841,755.55
Sept. 30, 2003	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 852,172.22
Oct. 31, 2003	\$ 10,416.67	\$ 5,471.80	\$ 15,888.47	\$ 862,588.89
Nov. 30, 2003	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 873,005.56
Dec. 31, 2003	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 883,422.23
Jan. 31, 2004	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 893,838.90
Feb. 29, 2004	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 904,255.57
Mar. 31, 2004	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 914,672.24
Apr. 30, 2004	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 925,088.91
May 31, 2004	\$ 10,416.67	\$ 4,536.17	\$ 14,952.84	\$ 935,505.58
Jun. 30, 2004	\$ 11,250.00	\$ 5,061.32	\$ 16,311.32	\$ 946,755.58
Jul. 31, 2004	\$ 11,250.00	\$ 5,061.32	\$ 16,311.32	\$ 958,005.58

**The State Environmental Improvement and Energy Resources Bonds**

Month/Year	Principal	Interest	Total Surcharge	Cumulative Bond Principal Paid
Aug. 31, 2004	\$ 11,250.00	\$ 5,061.32	\$ 16,311.32	\$ 969,255.58
Sept. 30, 2004	\$ 11,250.00	\$ 5,061.32	\$ 16,311.32	\$ 980,505.58
Oct. 31, 2004	\$ 11,250.00	\$ 5,061.32	\$ 16,311.32	\$ 991,755.58
Nov. 30, 2004	\$ 11,250.00	\$ 5,032.91	\$ 16,282.91	\$ 1,003,005.58
Dec. 31, 2004	\$ 11,250.00	\$ 5,032.91	\$ 16,282.91	\$ 1,014,255.58
Jan. 31, 2005	\$ 11,250.00	\$ 5,032.91	\$ 16,282.91	\$ 1,025,505.58
Feb. 28, 2005	\$ 11,250.00	\$ 5,032.91	\$ 16,282.91	\$ 1,036,755.58
Mar. 31, 2005	\$ 11,250.00	\$ 5,032.91	\$ 16,282.91	\$ 1,048,005.58
Apr. 30, 2005	\$ 11,250.00	\$ 5,032.91	\$ 16,282.91	\$ 1,059,255.58
May 31, 2005	\$ 11,666.66	\$ 4,507.47	\$ 16,174.13	\$ 1,070,922.24
Jun. 30, 2005	\$ 11,666.66	\$ 4,507.47	\$ 16,174.13	\$ 1,082,588.90
Jul. 31, 2005	\$ 11,666.66	\$ 4,507.47	\$ 16,174.13	\$ 1,094,255.56
Aug. 31, 2005	\$ 11,666.66	\$ 4,507.47	\$ 16,174.13	\$ 1,105,922.22
Sept. 30, 2005	\$ 11,666.66	\$ 4,507.47	\$ 16,174.13	\$ 1,117,588.88
Oct. 31, 2005	\$ 11,666.66	\$ 4,507.47	\$ 16,174.13	\$ 1,129,255.54
Nov. 30, 2005	\$ 11,666.66	\$ 4,195.52	\$ 15,862.18	\$ 1,140,922.20
Dec. 31, 2005	\$ 11,666.66	\$ 4,195.52	\$ 15,862.18	\$ 1,152,588.86
Jan. 31, 2006	\$ 11,666.66	\$ 4,195.52	\$ 15,862.18	\$ 1,164,255.52
Feb. 28, 2006	\$ 11,666.66	\$ 4,195.52	\$ 15,862.18	\$ 1,175,922.18
Mar. 31, 2006	\$ 11,666.66	\$ 4,195.52	\$ 15,862.18	\$ 1,187,588.84
Apr. 30, 2006	\$ 11,666.66	\$ 4,195.52	\$ 15,862.18	\$ 1,199,255.50
May 31, 2006	\$ 12,083.33	\$ 3,831.41	\$ 15,914.74	\$ 1,211,338.83
Jun. 30, 2006	\$ 12,083.33	\$ 3,831.41	\$ 15,914.74	\$ 1,223,422.16
Jul. 31, 2006	\$ 12,083.33	\$ 3,831.41	\$ 15,914.74	\$ 1,235,505.49
Aug. 31, 2006	\$ 12,083.33	\$ 3,831.41	\$ 15,914.74	\$ 1,247,588.82
Sept. 30, 2006	\$ 12,083.33	\$ 3,831.41	\$ 15,914.74	\$ 1,259,672.15
Oct. 31, 2006	\$ 12,083.33	\$ 3,831.41	\$ 15,914.74	\$ 1,271,755.48
Nov. 30, 2006	\$ 12,083.33	\$ 2,980.79	\$ 15,064.12	\$ 1,283,838.81
Dec. 31, 2006	\$ 12,083.33	\$ 2,980.79	\$ 15,064.12	\$ 1,295,922.14
Jan. 31, 2007	\$ 12,083.33	\$ 2,980.79	\$ 15,064.12	\$ 1,308,005.47
Feb. 28, 2007	\$ 12,083.33	\$ 2,980.79	\$ 15,064.12	\$ 1,320,088.80
Mar. 31, 2007	\$ 12,083.33	\$ 2,980.79	\$ 15,064.12	\$ 1,332,172.13
Apr. 30, 2007	\$ 12,083.33	\$ 2,980.79	\$ 15,064.12	\$ 1,344,255.46
May 31, 2007	\$ 12,500.00	\$ 3,208.21	\$ 15,708.21	\$ 1,356,755.46
Jun. 30, 2007	\$ 12,500.00	\$ 3,208.21	\$ 15,708.21	\$ 1,369,255.46
Jul. 31, 2007	\$ 12,500.00	\$ 3,208.21	\$ 15,708.21	\$ 1,381,755.46
Aug. 31, 2007	\$ 12,500.00	\$ 3,208.21	\$ 15,708.21	\$ 1,394,255.46
Sept. 30, 2007	\$ 12,500.00	\$ 3,208.21	\$ 15,708.21	\$ 1,406,755.46

Source: Promissary note schedules provided by the Company.