APPLICATION TO THE PUBLIC SERVICE COMMISSION FOR THE SALE OF A SEWER/TREATMENT FACILITY

IN THE MATTER OF: **CAUSE NO:**_____

LINCOLN COUNTY UTILITIES CO.

Comes now the Applicant, **Lincoln County Utilities Co.** and by and through their attorney, Flynn & Davenport, LLC and petitions the Public Service Commission to grant their request for sale of their sewer/treatment facilities to the Public Water Supply District No. 1 of Lincoln County, Missouri.

In support of their request and pursuant to **4 CSR 240-2.060** and **4 CSR 240-3.310** Applicant, Lincoln County Utilities Co., states as follows:

1) Applicant, Lincoln County Utilities Co., is a Missouri Corporation organized to do business in Lincoln County Missouri primarily for providing a sewer/treatment facilities for its area residents. The address of the principal place of business for the Applicant is 241 Opossum Trot Road, Bellflower, Missouri 63333.

2) Applicant's Certificate of Good Standing from the Missouri Secretary of State is attached hereto as Exhibit 1.

3) The property sought to be sold is approximately 12.794 acres and related easements located in the unincorporated area of Lincoln County best known as the Old Monroe/Mary Knoll area and established to provide a sewer/treatment facility for area residents.

4) A copy of the contract between Applicant, Lincoln County Utilities Co., and Public Water Supply District No. 1 of Lincoln County, Missouri, a political corporation of the State of Missouri is attached as Exhibit 2.

5) A copy of the resolution of the board of directors of Applicant, Lincoln County Utilities Co., authorizing the proposed action is attached hereto as Exhibit 3.

6) Applicant, Lincoln County Utilities Co., states as follows the reasons the proposed sale of the assets is not detrimental to the public interest:

a) There has arisen such a dispute between the shareholders of the Applicant that hinders the Applicant to provide adequate sewer services to the public it serves.

b) The facility of the Applicant is in such disrepair that adequate services are not being met for the public it serves.

c) Applicant is without sufficient expertise to provide adequate services to the public it serves.

d) Applicant is without sufficient financial means to provide adequate services to the public it serves.

e) The Purchaser, Public Water Supply District No. 1 of Lincoln County, Missouri is aware of the disrepair and is ready, willing and able to provide adequate services to the public it serves.

7) Applicant is aware of the following impact the sale and transfer of the assets will have on the tax revenue of the political subdivisions in which the proposed sale of property is located: Loss of Real Estate Property Tax paid to Lincoln County in the approximate amount of $1,233.73 (based on 2005 assessment).

8) Applicant states that it has no pending legal action or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates. However, Applicant acknowledges that the Department of Natural Resources has notified the Applicant of alleged violations of its regulations and has most reasonably granted Applicant the ability to make its application to the Public Service Commission to allow the Public Water Supply District No. 1 of Lincoln County to adequately provide services to the public.

9) Applicant states that to its knowledge no annual report or assessment fees are overdue.

10) All correspondence, communications and orders and decisions of the Public Service Commission may be sent to: Patrick S. Flynn, Flynn & Davenport LLC, P.O. Box 336 Troy, Missouri 63379.

11) Applicant states that if any items required under this rule have not been met upon this application that Applicant will furnish same prior to the granting of authority sought.

Wherefore, Applicant, Lincoln County Utilities Co., prays that the Public Service Commission grant its application to sell its assets to the Public Water Supply District No. 1 of Lincoln County, Missouri.

Lincoln County Utilities Co.
Dennis J. Schulte, Secretary

FLYNN & DAVENPORT LLC

PATRICK S. FLYNN, #38465
Attorney for Applicant
P.O. Box 336
Troy, Missouri 63379
Phone: (636) 462-5539
Fax: (636) 528-5536

Dennis J. Schulte, Affiant

STATE OF MISSOURI)
) ss
COUNTY OF LINCOLN)

This Affiant, the DENNIS J. SCHULTE herein, being duly sworn upon his oath, deposes and states that the facts stated in the foregoing document are true and correct to his best knowledge, information and belief.

Subscribed and sworn to before me this 24 day of MARCH, 2006.

Notary Public

CAROL J. HOELTING NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

CAROL J. HOELTING
NOTARY PUBLIC - STATE OF MISSOURI
LINCOLN COUNTY
MY COMMISSION EXPIRES MAY 27, 2007

EXHIBIT

1

STATE OF MISSOURI

Robin Carnahan
Secretary of State

CORPORATION DIVISION

CERTIFICATE OF GOOD STANDING

I, ROBIN CARNAHAN, Secretary of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

LINCOLN COUNTY UTILITIES CO.
00163695

was created under the laws of this State on the 16th day of August, 1973, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 23rd day of March, 2006

Secretary of State

Certification Number: 8518930-1 Reference:
Verify this certificate online at http://www.sos.mo.gov/businessentity/verification

EXHIBIT
2

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT ("Agreement") is made between Lincoln County Utilities Co., a Missouri corporation ("Seller"), and Public Water Supply District No. 1 of Lincoln County, Missouri, a political corporation of the State of Missouri ("Purchaser").

In consideration of the mutual covenants and representations contained herein, Seller and Purchaser agree as follows:

1. PURCHASE AND SALE

1.1 Purchase and Sale. Subject to the terms and conditions of this Agreement, Seller hereby agrees to sell and convey to Purchaser, and Purchaser hereby agrees to purchase from Seller, the following described property (herein collectively called the "Property") which collectively constitute the sanitary sewer system serving the Maryknoll area (the "Sewer System"):

(a). Land. That certain tract of land (the "Land") in Lincoln County, Missouri, being more particularly described on Exhibit A attached hereto and incorporated herein by reference;

(b) Improvements. All improvements in and on the Land, consisting of, without limitation, the three cell lagoon, all sanitary sewer mains, manholes, valves, pumps, and lift stations, if any (collectively, the "Improvements");

(c) Security Deposits. All of the Seller's right, title and interest in and to all security deposits (the "Security Deposits") affecting the Property;

(d) Miscellaneous Items. All of Seller's right, title and interest in and to all accounts receivable, utility contracts, warranties, plans and specifications, and engineering plans and studies ("Miscellaneous Items");

(e) Easements, Rights and Appurtenances. All easements, if any, benefiting the Land or the Improvements, and all rights and appurtenances pertaining to the foregoing, including all right, title and interest of Seller in and to adjacent streets, alleys or rights-of-way ("Property Rights"); and

(f) Assets and Personal Property. All assets, fixtures, furniture, and equipment owned by Seller and used in connection with the Sewer System, including but not limited to those assets which are set forth in Exhibit B attached hereto and incorporated herein (the "Personal Property").

2. PURCHASE PRICE

2.1 Purchase Price. The purchase price (the "Purchase Price") for the Property shall be Fifteen Thousand and 00/100 DOLLARS ($15,000.00) and shall be paid by Purchaser to Seller at the closing (as defined in Section 6.1). The allocation of the Purchase Price between the Real Property and the Personal Property shall be set forth in Exhibit C attached hereto and incorporated herein by reference.

3. EARNEST MONEY

3.1 Deleted

4. CONDITIONS TO CLOSING

4.1 Title and Survey. Purchaser, at Purchaser's expense, shall order and obtain the following items (collectively, the "Title Documents"):

(a) Title Commitment. A Commitment for Title Insurance for an ALTA Owner's Title Policy, as defined in Section 6.2(c), issued by the Title Company and legible copies of all restrictive covenants, easements and other items listed as title exceptions therein;

(b) Survey. If desired by Purchaser, a survey of the Real Property, showing the boundaries of the Real Property, and such other matters as set forth therein.

During the period commencing on the Effective Date and ending 180 days thereafter (the "Review Period"), Purchaser may approve or disapprove the Commitment for Title Insurance and/or survey, if obtained, and all matters contained therein, which approval or disapproval shall be within Purchaser's sole discretion. If Purchaser fails to disapprove any item in the Commitment for Title Insurance or the survey by written notice to Seller within the Review Period, Purchaser shall be deemed to have approved the Commitment and the survey. If Purchaser disapproves any such item by written notice to Seller during the Review Period, Purchaser may terminate this Agreement in its sole and absolute discretion, or alternatively may allow Seller an opportunity to cure any defects in title, if applicable, as a condition to Closing. The title exceptions listed in Schedule B of the Commitment for Title Insurance and all items shown on the survey which Purchaser approves or is deemed to approve pursuant to this Section 4.1 are hereinafter called the "Permitted Exceptions."

4.2 Inspection. If not previously delivered to Purchaser, Seller shall deliver to Purchaser (at Seller's expense), within five (5) days after the date hereof, the following:

(a) Contracts. Copies of all contracts, if any, pertaining to the Property (the "Contracts") as of the date of this Agreement, including but not limited to, management contracts, service contracts, equipment leases, and maintenance contracts;

(b) Warranties. Copies of all warranties regarding the Property as of the date of this Agreement, if any;

(c) Plans and Specifications. Copies of the plans and specifications for the Property, if any; and

(d) Certificates of Occupancy, Permits and Licenses. Copies of all permits or licenses issued by any governmental authorities or utility companies in connection with the occupancy and use of the Improvements (including certificates of occupancy), if any.

4.3 Governmental and Financing Approvals. During the Review Period, Purchaser shall undertake such actions as are necessary for Purchaser, to obtain approval from all governmental agencies whose approval of this purchase and sale is required by law including, but not limited to, the Missouri Public Service Commission, including but not limited to conducting such public meetings and obtaining such approvals (the "Approvals") as are necessary for Purchaser to own, operate and use the Property and finance the acquisition of the Property through the issuance of bonds if deemed appropriate by Purchaser. Purchaser shall diligently and timely pursue obtaining such Approvals. Purchaser shall have 365 days after expiration of the Review Period (the "Approval Period") (that is, a total of 545 days from the Effective Date), to obtain such Approvals. If such Approvals have not been obtained by the end of the Approval Period, this Agreement shall be deemed automatically terminated at the end of the Approval Period. Notwithstanding anything contained herein to the contrary, the parties shall share equally any legal fees and costs incurred in obtaining the Approvals and shall jointly retain the services of an attorney to represent both parties in obtaining the approval of the Missouri Public Service Commission.

4.4 Termination. If this Agreement is terminated pursuant to Section 4.1, Section 4.2 or Section 4.3 above, the Earnest Money, together with all accrued interest thereon, will be promptly refunded to Purchaser, and neither party shall have any further obligations under this Agreement, except for those provisions which specifically survive termination.

5. REPRESENTATIONS AND WARRANTIES OF SELLER

Seller makes the following representations and warranties to Purchaser on the date hereof and as of the Closing Date:

5.1 Organization. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Missouri.

5.2 Obligations and Liabilities. Seller has no debt, liability or obligation (whether accrued, absolute, contingent, by guarantee, indemnity or otherwise) nor has there been any occurrence which involves potential liability of the Seller except those (i) disclosed to Purchaser or (ii) incurred in the ordinary course of business, which liabilities do not relate to

any breach of contract, breach of warranty, tort, infringement, product liability, environmental matter or any alleged violation of law.

5.3 Absence of Certain Events. Since December 31, 2002, (i) Seller has conducted its business only in the ordinary and usual course and in substantially the same manner as previously conducted; (ii) there has not been any event, circumstance or condition that has had, or is reasonably likely to have, a material adverse effect on the financial condition, business, cash flow, assets, liabilities or prospects of the Property or the Sewer System; and (iii) Seller has not taken any action or failed to take any action which would have violated any of the covenants of Section 9 if such covenants had been given as of such date.

5.4 Taxes. Within the times and in the manner prescribed by law, Seller has filed all Tax returns and has withheld and paid all Taxes due and payable. There are no present disputes as to Taxes or any Tax liens on any Property. There are no outstanding agreements or waivers extending dates for filing, payment, assessment or reassessment or extending the statutes or other periods of limitation applicable to any Tax or Tax return of Seller. There is no legal proceeding, audit, assessment, reassessment or request for information in progress, pending or threatened against or involving Seller in respect of Taxes nor are there any issues under discussion with any taxing authority relating to any matters which could result in claims for additional Taxes.

"Tax" or " Taxes" means all taxes or liens, including any interest, fines, penalties or other additions to tax, which the Seller is required to pay, withhold or collect (including without limitation all income or profits taxes, payroll and employee withholding taxes, capital taxes, unemployment insurance, social security or welfare taxes, goods and service taxes, sales and use taxes, *ad valorem* taxes, value-added taxes, excise taxes, import and customs duties, surcharges, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, real and personal property taxes, assessments, environmental taxes, transfer taxes, worker's compensation, pension premiums and other governmental charges, and other similar obligations).

5.5 Contracts. Schedule 5.5 accurately lists and briefly describes all written and oral contracts, agreements, leases and other legally binding commitments which individually contemplate or involve total payments by or to Seller of more than $5,000.00 or the consequences of a default or termination of which could have a material adverse effect on Seller or Sewer System ("Contracts"). All Contracts are valid and in full force with no default or breach by any party to such Contracts. No event, failure, condition or act has occurred which, with the passage of time or the giving of notice, would result in a default or breach under any Contract or permit termination, modification or acceleration of rights or obligations under any Contract. No defenses, offsets or counterclaims have been asserted or may properly be made by any party under any Contract. Seller has not waived any rights under any Contract. No Contract shall be affected in any manner by the transactions contemplated by this Agreement.

Seller is not subject to any pending or threatened termination, non-renewal or premium increase with respect to any insurance policy listed or required to be listed on Schedule 5.5, and Seller is in compliance with all conditions contained in each policy. There are no pending claims against such insurance by Seller as to which insurers are defending under reservation of rights or have denied liability. All claims under such insurance have been properly filed by Seller.

5.6 Deleted.

5.7 Real Property. Exhibit A accurately describes all Land (including Improvements) owned, leased or used by Seller and indicates whether such property is owned or leased (and, if leased, the owner of such property). The use of, and all Improvements located on, the Land complies with all applicable zoning and similar requirements. No Improvement on the Land encroaches on any boundary or easement, violates any set-back requirement, or is located on a flood plain. There are no leases, subleases or other agreements granting to any party, other than Seller, the right of use or occupancy of any portion of the Land, and there are no outstanding options or rights of first refusal to purchase or lease any Land.

5.8 Title to and Condition of Personal Property. Seller owns or leases, free and clear of all security interests, claims, encumbrances, easements, rights-of-way, restrictions and other interests (" Encumbrances"), all Personal Property. Upon Closing, Purchaser will have good title to the Personal Property and be in possession of all property and other assets necessary to conduct Seller's business and the Sewer System as previously conducted. All Personal Property is in good and safe operating condition and repair. Exhibit B accurately describes all Personal Property owned, leased or used by Seller in connection with the Property and indicates whether such property is owned or leased. No Personal Property is located at any place other than the Land.

5.9 Customers. Schedule 5.9A accurately lists all customers of the Sewer System, and discloses whether any customer is delinquent in the payment of fees or charges, and if so, the amount of such delinquency.

5.10 Compliance With Laws. Seller has at all times complied and is in compliance with all applicable laws, rules, regulations and ordinances affecting the Property, the Sewer System or Seller's business. Seller has not violated, and is not in default with respect to, any judgment, order, injunction, settlement agreement or decree of, or any permit, license or other authority from, any court, agency or instrumentality.

5.11 Authorization; Binding Effect; No Conflict. The execution and delivery of this Agreement and all other agreements, certificates and other documents contemplated hereby have been duly authorized by the Seller. This Agreement constitutes, and all other agreements, certificates and other documents to be executed and delivered by the Seller will constitute, the legal, valid and binding obligation of Seller, enforceable against such person in

accordance with their terms. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will: (a) require any consent, authorization, approval or other action of any person, entity or government authority except as set forth herein; (b) violate or constitute a default under the Articles of Incorporation or Bylaws of Seller; (c) violate or constitute a breach or default under any contract, agreement, commitment, note, indenture, mortgage, deed of trust, license or permit; or (d) result in the creation or imposition of any lien, charge or encumbrance upon the Property or cause the acceleration of any indebtedness of the Seller.

5.12 Litigation. There are no suits, arbitrations, or legal, administrative or other proceedings or audits, inquiries or investigations pending, threatened against or affecting Seller, the Sewer System or the Property. The Seller is not subject to any judgment, order, injunction or decree.

5.13 Environmental Matters. Except as described on Schedule 5.13A, (i) no hazardous or toxic substance, waste, pollutant or contaminant, petroleum product or any other substance regulated under any environmental law, statute, regulation, order, policy, guideline, permit or other legal requirement ("Envi ronmental Law") is present on, in, under or about the Property (except for such quantities as are used in the ordinary course of business and stored in appropriate containers in compliance with all Environmental Laws) and (ii) Seller and the Property have at all times complied and is in compliance with all Environmental Laws. Except as described on Schedule 5.13A, Seller has no liability for cleanup, remediation, removal or abatement of (i) any facility or property to which any waste or by-product has been sent, directly or indirectly, for treatment, storage, disposal or recycling, or (ii) any property now or previously controlled by Seller or any predecessor.

Except as disclosed on Schedule 5.13B, (i) other than environmental assessments conducted on behalf of Purchaser, for the past 10 years no environmental audit, evaluation, assessment, study or test of any property or business operation of the Seller is being or has been conducted by or on behalf of the Seller, and (ii) no notice pursuant to any Environmental Law (including alleged violations) has been received by the Seller and no order, ruling, writ, injunction or legal proceeding pursuant to any Environmental Law or relating to the use, maintenance or operation of the Property or the Sewer System is in progress, or to Seller's knowledge, threatened.

Schedule 5.13C contains a list of all permits and other authorizations held by the Seller or the Sewer System under any Environmental Law. No Environmental Law imposes standards or requirements which, to the Seller' s knowledge, will require the Seller to make any capital expenditure to comply with such standards or requirements. During the past three years, the Seller has not paid any civil or criminal fines, penalties, judgments or other amounts relating to alleged failure to comply with Environmental Laws or received any claim by a third party relating to environmental damage to property.

5.14 Deleted.

5.15 Disclosure. No representation or warranty by Seller in this Agreement, nor any statement, document, certificate or schedule furnished or to be furnished in connection with the transactions contemplated by this Agreement, contains or will contain any untrue statement of fact or omits or will omit a fact necessary to make the statements contained therein not misleading. Seller is not aware of any other fact or matter which if disclosed might reasonably affect the willingness of a purchaser to purchase the Property.

6. CLOSING

6.1 Closing. The closing ("Closing") shall be held at the offices of Lincoln Title Company (the "Title Company") with an address of 260 Main Street, Troy, Missouri not later than ten (10) days after the last day of the Approval Period, or on such other date or place as may be mutually agreed to in writing by Seller and Purchaser (the "Closing Date").

6.2 Seller's Obligations at Closing. At Closing, Seller shall deliver to Purchaser, or cause the Title Company to deliver, the following documents:

(a) Deed. Special Warranty Deed (the "Deed") executed by Seller conveying the Land to Purchaser in the form attached to this Agreement as Exhibit D subject to the exceptions set forth in such Exhibit and the Permitted Exceptions, executed by Seller conveying the Land to Purchaser;

(b) Evidence of Authority. A copy of Seller's resolutions, certified by Seller as true and complete, as of the Closing Date, so as to evidence the authority of the persons signing the Deed and other documents to be executed by Seller at Closing and the power and authority of Seller to convey the Property to Purchaser in accordance with this Agreement.

(c) Title Policy. An Owner's Title Policy in standard ALTA form (the "Owner's Policy"), naming Purchaser as insured, in the amount of the Purchase Price, insuring that Purchaser owns fee simple title to the Property, subject only to the Permitted Exceptions;

(d) Assignment of Easements. Assignment of Easements ("Assignment of Easements") executed by Seller assigning to Purchaser all of Seller's right, title and interest, if any, in the Easements, in the form attached to this Agreement as Exhibit E];

(e) Contracts. The originals of all Contracts and an assignment thereof;

(f) Warranties. The originals of all warranties regarding the Property, if any, and an assignment thereof;

(g) Foreign Person. An affidavit of Seller certifying that Seller is not a "foreign person" as defined in the federal Foreign Investment in Real Property Tax Act of 1980; and

(h) Bill of Sale. A Bill of Sale executed by Seller, conveying the Personal Property, in the form attached to this Agreement as Exhibit F.

6.3 Purchaser's Obligations at Closing. At Closing, Purchaser shall deliver to Seller the following:

(a) Purchase Price. The Purchase Price by cashier's check or wire transfer of immediately available funds;

(b) Evidence of Authority. Copy of Purchaser's resolutions, certified as true and complete, as of the Closing Date, so as to evidence the authority of the persons signing this Agreement and other documents to be executed by Purchaser at Closing; and

(c) Contracts. An assumption of all post-Closing performance obligations under all Contracts which are assigned by Seller to Purchaser.

(d) Assumption of Easements. The Assignment of Leases executed by Purchaser, assuming all of Seller's rights, obligations and liabilities under the Leases from and after the Closing, in the form of Exhibit E.

6.4 Letters to Customers. At Closing, Seller and Purchaser shall execute and deliver to Seller for distribution by Seller, letters to all customers of the Sewer System (the "Customer Notice Letter") stating that Purchaser has acquired the Property and the Sewer System from Seller, that future sanitary sewer bills should be paid as specified by Purchaser and that Purchaser will be responsible for the customers security deposits. The Customer Notice Letter shall be in the form attached to this Agreement as Exhibit G.

6.5 Proration. All rents and other income, if any, with respect to the Property for the month in which the Closing occurs, and real estate taxes and other assessments with respect to the Property for the year in which the Closing occurs, shall be prorated to the Closing Date.

(a) If the Closing shall occur before the actual amount of utilities and other operating expenses with respect to the Property for the month in which the Closing occurs are determined, the apportionment of such utilities and other operating expenses shall be upon the basis of an estimate by Purchaser and Seller of such utilities and other operating expenses for such month. Subsequent to the Closing, when the actual amount of such utilities and other operating expenses with respect to the Property for the month in which the Closing occurs are determined, the parties agree to adjust the proration of such utilities and other operating expenses and, if necessary, to refund or repay such sums as shall be necessary to effect such adjustment. For those utilities which are billed in arrears, Seller and Purchaser shall arrange for a final reading of the utility meters on the Closing Date, and Seller shall pay the utilities through the Closing Date, as shown by the final meter reading, and Purchaser shall pay all utilities for services thereafter.

(b) If the Closing shall occur before the tax rate or the assessed valuation of the Property is fixed for the then current year, the apportionment of taxes for the year in which the Closing occurs shall be upon the basis of the most recent tax bills, and the tax rate for the preceding year applied to the latest assessed valuation.

(c) At the Closing, all security, advance rental and other deposits, if any, made under the Leases and in the possession of Seller shall be retained by Seller and credited against the cash portion of the Purchase Price.

6.6 The agreements of Seller and Purchaser set forth in Section 6.5 shall survive the Closing.

6.7 Possession. Possession of the Property shall be delivered to Purchaser at Closing.

6.8 Closing Costs. Except as otherwise expressly provided herein, Seller shall pay, on the Closing Date, one-half (1/2) of escrow fees and other customary charges of the Title Company; and Purchaser shall pay, on the Closing Date, all recording costs, one-half (1/2) of escrow fees and other customary charges of the Title Company, and the title insurance premium for the Owner's Policy, including any extended coverage or endorsements to the Owner's Policy. Each party shall pay its own attorneys' fees.

7. RISK OF LOSS

7.1 Casualty. If the Property, or any part thereof suffers any damage prior to Closing from fire or other casualty, which in any event Seller shall have no obligation to repair, Seller shall immediately notify Purchaser of such casualty and Purchaser may either (a) terminate this Agreement and receive a refund of its Earnest Money, or (b) consummate the Closing, in which latter event the proceeds of any insurance covering such damage shall be assigned to Purchaser at Closing.

7.2 Condemnation. If, prior to Closing, action is initiated or threatened to take any of the Property by eminent domain proceedings or by deed in lieu thereof, Purchaser shall have thirty (30) days from receipt of written notice of such event from Seller to advise Seller that it intends to (a) terminate this Agreement or (b) consummate the Closing, in which latter event the award of the condemning authority shall be assigned to Purchaser at the Closing. If Seller does not receive any such notice from Purchaser within such thirty (30) day period, then Purchaser shall be deemed to have elected option (b) of this Section 7.2.

8. DEFAULT; INDEMNIFICATION

8.1 Breach by Seller. If Seller breaches this Agreement, Purchaser may, at its election and in addition to any and all other remedies available to Purchaser, at law or in equity, (a) terminate this Agreement and receive the immediate return of the Earnest Money, together with all accrued interest thereon, (b) seek specific performance of the obligation of Seller to sell the Property to Purchaser, and/or (c) sue Seller for actual and punitive damages.

8.2 Breach by Purchaser. If Purchaser breaches this Agreement, Seller shall be entitled to the Earnest Money together with all interest accrued thereon, if any, as liquidated damages (and not as a penalty) and this Agreement shall terminate and neither party shall have any further rights against the other, except as otherwise specifically provided in this Agreement. Seller and Purchaser have made this provision for liquidated damages because it would be difficult to calculate on the date hereof the amount of actual damages for such breach, and these sums represent reasonable compensation to Seller for such breach.

8.3 Survival; Knowledge. All representations and warranties of Seller and the Members contained herein shall survive the Closing and remain in full force and effect thereafter.

8.4 Indemnification. Regardless of any pre-closing investigation, examination or knowledge, Seller hereby agrees to defend, indemnify and hold harmless Purchaser and its affiliates from and against any loss, liability, damage or expense (collectively "Damages") arising directly or indirectly in connection with (i) any inaccuracy in or breach of, or any failure to perform or comply with, any representation, warranty, covenant, obligation or other provision of the Agreement; (ii) any error or omission in any statement, report, exhibit, schedule, certificate or document delivered or to be delivered by or on behalf of Seller pursuant to the terms of this Agreement; (iii) any claim or obligation of Seller to any party not being expressly assumed by Purchaser which is asserted against Purchaser; and (iv) any claim or obligation arising out of the actions or inactions of Seller with respect to its business, the Sewer System or the Property prior to the Closing.

Promptly after Purchaser or any indemnified party has received notice of or has knowledge of any claim for indemnification hereunder, or the commencement of any controversy by a person not a party to this Agreement ("Third Person"), the indemnified party shall give the indemnifying party written notice of such claim or the commencement of such controversy; provided, however, that failure to give such notice shall not preclude a party from seeking indemnification unless such failure is materially prejudicial to the indemnifying party's ability to adequately defend such claim or controversy. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The indemnifying party has the right to defend and settle, at its own expense and by its own counsel, any claim by a Third Person so long as the indemnifying party diligently pursues the same in good faith. If the indemnifying party undertakes to defend or settle, it must promptly notify the indemnified party of its intention to do so, and the indemnified party must cooperate with the indemnifying party and its counsel in the defense thereof and in any settlement thereof. Such cooperation includes furnishing the indemnifying party with any books, records or information reasonably requested by the indemnifying party that are in the indemnified party's possession or control. The indemnified party has the right to participate in such matter through counsel of its own choosing and the indemnifying party must reimburse the indemnified party for the reasonable fees and expenses of its counsel. If the indemnifying party does not undertake to defend such matter to which the indemnified party is entitled to indemnification hereunder, or fails diligently to pursue such defense in good faith, the indemnified party may undertake such defense through counsel of its choice, at the cost and expense of the indemnifying party, and the indemnified party may settle such matter on a commercially reasonable basis under the circumstances, and the

indemnifying party must reimburse the indemnified party for the amount paid in such settlement and any other liabilities or expenses incurred by the indemnified party in connection therewith. All settlements effected hereunder must effect a complete release of the indemnified party with respect to the Third Person claim unless the indemnified party otherwise agrees in writing.

9. FUTURE OPERATIONS

9.1 Future Operations. From the date of this Agreement until the Closing or earlier termination of this Agreement:

(a) Maintenance, Litigation. Except for condemnation and casualty which are provided for in Section 7, Seller (i) will keep and maintain the Property in its condition as of the date of this Agreement (ordinary wear and tear excepted), and keep and maintain all Personal Property in good working order, and (ii) will promptly advise Purchaser of any litigation, arbitration, or administrative hearing concerning the Property arising or threatened after the date of this Agreement.

(b) Contracts. Seller will not, without the prior written consent of Purchaser, modify, enter into, or renew any contract which cannot be canceled upon thirty (30) days' prior written notice.

10. CONFIDENTIALITY

10.1 Non-Disclosure. From and after the Effective Date of this Agreement, neither Purchaser nor Seller shall prior to the Closing, except with the written consent of both parties or as may be required by law (i) make or permit to be made any announcements or press releases concerning the existence of this Agreement, the terms of the purchase of the Property or any other information concerning this Agreement or the transaction contemplated herein or (ii) disclose or permit to be disclosed, directly or indirectly, to any person or entity any information in respect of the Property which is obtained pursuant to this Agreement or through any inspection of the Property or records concerning the Property.

10.2 Limited Disclosure to Advisors. Each party shall have the right to disclose information in respect of the Property to its attorneys, accountants, prospective lenders and their counsel so long as they agree to be bound by the terms of this Section 10.

11. MISCELLANEOUS

11.1 Notice. Whenever this Agreement requires or permits any consent, approval, notice, request, or demand from one party to the other (collectively "Notice"), such Notice must be in writing to be effective and shall be effective on the date of actual receipt of such Notice by the addressee or when the attempted initial delivery is refused or when it cannot be made because of a change of address of which the sending party has not been notified. The following shall, without limitation, be prima facie evidence of actual receipt of Notice by the addressee: (a) if mailed, by a United States certified mail return receipt, signed by the addressee or the addressee's agent; or (b) if hand-delivered, by a delivery receipt, signed by the addressee or the

addressee's agent. The parties' respective addresses for delivery of any Notice are set forth below, unless another address is designated in writing by any party to the other.

If to Seller:	Lincoln County Utilities Co. 5212 Shetland Drive Attention: Mr. Steve Pilger
If to Purchaser:	Public Water Supply District No. 1 of Lincoln County, Missouri 3451 South Highway W Winfield, Missouri 63389
With a copy to:	Lewis, Rice & Fingersh, L.C. 1200 Jefferson, P.O. Box 1040 Washington, Missouri 63090 Attention: Mark C. Piontek

11.2 Real Estate Commissions. Neither Seller nor Purchaser has contacted any real estate broker, finder or similar person in connection with the transaction contemplated hereby. To the actual knowledge of Seller and Purchaser, no other Acquisition Fees (as hereafter defined) have been paid or are due and owing to any person or entity. As used herein, "Acquisition Fees" shall mean all fees paid to any person or entity in connection with the selection and purchase of the Property, including real estate commissions, selection fees, and non-recurring management and start-up fees, development fees or any other fee of similar nature. Seller and Purchaser each hereby agree to indemnify and hold harmless the other from and against any and all claims for Acquisition Fees or similar charges with respect to this transaction arising by, through or under the indemnifying party and each further agrees to indemnify and hold harmless the other from any loss or damage resulting from an inaccuracy in the representations contained in this Section 11.2. This indemnification agreement of the parties shall survive the Closing.

11.3 Entire Agreement. This Agreement embodies the entire agreement between the parties relative to the subject matter hereof, and there are no oral or written agreements between the parties nor any representations made by either party relative to the subject matter hereof which are not expressly set forth herein.

11.4 Amendment. This Agreement may be amended only by a written instrument executed by the party or parties to be bound thereby.

11.5 Headings. The captions and headings used in this Agreement are for convenience only and do not in any way limit, amplify, or otherwise modify the provisions of this Agreement.

11.6 Time of Essence. Time is of the essence of this Agreement. However, if the final date of any period which is not set out in any provision of this Agreement falls on a Saturday, Sunday or legal holiday under the law of the United States or the State of Missouri, then in such event, the time of such period shall be extended to the next day which is not a Saturday, Sunday or legal holiday.

11.7 Governing Law. This Agreement shall be governed by the laws of the State of Missouri and the applicable federal laws of the United States.

11.8 Successors and Assigns. This Agreement shall bind and inure to the benefit of Seller and Purchaser and their respective successors and assigns. Purchaser may assign Purchaser's rights under this Agreement to any entity affiliated with Purchaser.

11.9 Invalid Provision. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provisions had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement.

11.10 Attorneys' Fees. In the event it becomes necessary for either party hereto to file suit to enforce this Agreement or any provision contained herein, the party prevailing in such suit shall be entitled to recover, in addition to all other remedies or damages as herein provided, reasonable attorneys' fees incurred in such suit.

11.11 Multiple Counterparts. This Agreement may be executed in a number of identical counterparts, each of which for all purposes is deemed an original, and all of which constitute collectively one agreement.

11.12 Effective Date of This Agreement. The "Effective Date" of this Agreement shall be the date upon which Purchaser's offer hereunder shall be accepted by Seller, which date shall be memorialized below the Seller's signature on this Agreement. As used in this Agreement, the terms "date of this Agreement" shall also mean and refer to the Effective Date.

11.13 Exhibits. The following exhibits are attached to this Agreement and are incorporated into this Agreement and made a part hereof:

(a) Exhibit A - Legal Description of the Land
(b) Exhibit B - Personal Property
(c) Exhibit C - Allocation of Purchase Price
(d) Exhibit D - Form of Special Warranty Deed
(e) Exhibit E - Form of Assignment of Easements
(f) Exhibit F - Form of Bill of Sale
(a) Exhibit G – Customer Notice Letter

11.14 Survival. All representations, warranties, obligations and covenants of this Agreement shall not merge with the Deed and shall survive the Closing or other termination of this Agreement.

PURCHASER:

DATE OF EXECUTION BY PURCHASER:

3/21/06

PUBLIC WATER SUPPLY DISTRICT NO. 1
OF LINCOLN COUNTY, MISSOURI,
a political corporation

By:
Name: Wayne Keeteman
Title: (President)

SELLER:

DATE OF EXECUTION BY SELLER:

3/24/06

LINCOLN COUNTY UTILITIES CO.,
a Missouri corporaion

By: Dennis J. Schulte
Name: Dennis J. Schulte
Title: Secretary

The undersigned Title Company hereby acknowledges receipt of the Earnest Money and a copy of this Agreement, and agrees to hold and dispose of the Earnest Money in accordance with the provisions of this Agreement.

TITLE COMPANY:

DATE OF RECEIPT BY TITLE COMPANY: _____

By: _____
Name: _____
Title: _____

EXHIBIT A TO PURCHASE AND SALE AGREEMENT

LAND

(Insert Property Description)

Draft June 4, 2003, rev Mar 25 2005
For Discussion Only

EXHIBIT B TO PURCHASE AND SALE AGREEMENT

PERSONAL PROPERTY

All of the following items of personal property: NONE

(List) (EXCEPT FOR BUSINESS RECORDS)

Draft June 4, 2003, rev Mar 25 2005
For Discussion Only

EXHIBIT C TO PURCHASE AND SALE AGREEMENT

ALLOCATION OF PURCHASE PRICE

Purchase Price of Real Property	$ 15,000 00
Purchase Price of Personal Property	$ —
Total	$ 15,000 00

Draft June 4, 2003, rev Mar 25 2005
For Discussion Only

EXHIBIT D TO PURCHASE AND SALE AGREEMENT

SPECIAL WARRANTY DEED

THIS SPECIAL WARRANTY DEED, made and entered into as of the _____ day of _____, 200__, by and between LINCOLN COUNTY UTILITIES CO., a Missouri corporation, as GRANTOR, and PUBLIC WATER SUPPLY DISTRICT NO. 1 OF LINCOLN COUNTY, MISSOURI, a political corporation, as GRANTEE, whose address is 3451 South Highway W, Winfield, Missouri 63389.

WITNESSETH, That Grantor, for and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration paid by Grantee to Grantor, the receipt of which is hereby acknowledged, does by these presents BARGAIN AND SELL, CONVEY AND CONFIRM unto Grantee that certain real estate situated in the County of Lincoln, State of Missouri, and legally described in Exhibit A attached to this Special Warranty Deed and by this reference made a part hereof (the "Property").

SUBJECT, HOWEVER, to zoning and other ordinances, real estate taxes payable during 2003 and thereafter, installments of special taxes and assessments not required to be paid during or prior to 2003 and special taxes and assessments becoming a lien on or after the date hereof, and the title and survey exceptions listed on Exhibit B attached to this Special Warranty Deed and by this reference made a part hereof, Grantee hereby accepting and agreeing to the same by Grantee's acceptance and recordation of this Special Warranty Deed.

TO HAVE AND TO HOLD the same, together with all rights and appurtenances to the same belonging to the extent not encumbered, restricted or reserved as contemplated by this Special Warranty Deed unto the Grantee and its successors and assigns forever.

Grantor hereby covenants that it and its successors shall and will **WARRANT AND DEFEND** the title to the Property unto the Grantee and its successors and assigns forever, against the lawful claims of all persons claiming by, through or under Grantor but none others.

IN WITNESS WHEREOF, Grantor has caused these presents to be signed as of the day and year first above written.

"Grantor"
LINCOLN COUNTY UTILITIES CO.,

By: _____
Name: _____
Title: _____

Draft June 4, 2003, rev Mar 25 2005
For Discussion Only

STATE OF MISSOURI)
) SS.
COUNTY OF LINCOLN)

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn did say that such person is the _____ of Lincoln County Utilities Co., a Missouri corporation, and that said instrument was signed on behalf of said corporation, by authority of its board of directors and shareholders, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid the day and year first above written.

_____
Notary Public

My Commission Expires:

Draft June 4, 2003, rev Mar 25 2005
For Discussion Only

EXHIBIT A TO SPECIAL WARRANTY DEED

LEGAL DESCRIPTION

[Insert Property Description]

Draft June 4, 2003, rev Mar 25 2005
For Discussion Only

EXHIBIT B TO SPECIAL WARRANTY DEED

PERMITTED EXCEPTIONS

(Insert Permitted Exceptions)

TO BE COMPLETED UPON ISSUANCE OF THE TITLE COMMITMENT.

EXHIBIT E TO PURCHASE AND SALE AGREEMENT

ASSIGNMENT OF EASEMENTS

The parties to this Assignment of Easements are Lincoln County Utilities Co., a Missouri corporation ("Assignor"), whose address is 5212 Shetland Drive, St. Charles, Missouri 63304, and Public Water Supply District No. 1 of Lincoln County, Missouri, a political corporation of the State of Missouri ("Assignee"), whose address is 3451 South Highway W, Winfield, Missouri 63389.

WHEREAS, Assignor heretofore entered into easements (the "Easements") as described on Exhibit A and listed on Exhibit B attached hereto;

WHEREAS, Assignee desires to acquire the Easements from Assignor, and in connection with such acquisition, Assignor desires to assign to Assignee the Easements and all of the rights, benefits and privileges of Assignor thereunder;

NOW, THEREFORE, in consideration of the foregoing and the agreements and covenants herein set forth, the sum of TEN AND NO/ 100 DOLLARS ($10.00), and other good and valuable consideration paid by Assignee to Assignor, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby ASSIGN, TRANSFER, SET OVER and DELIVER unto ASSIGNEE all of the Easements and all of the rights, benefits and privileges of Assignor thereunder, but subject to all terms, conditions, reservations and limitations set forth in the Easements (all such Easements being hereinafter collectively referred to as the "Assigned Easements").

By accepting this Assignment and by its execution hereof, Assignee hereby assumes and agrees to perform all of the term, covenants and conditions of the Assigned Easements on the part of the grantee therein required to be performed, from and after the date hereof.

Assignor hereby agrees to indemnify and hold harmless Assignee from and against any and all loss, cost or expense (including without limitation, reasonable attorneys' fees) resulting by reason of the failure of Assignor to perform any of the obligations of Assignor under the Assigned Easements prior to the date hereof.

All of the covenants, terms and conditions set forth herein shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

EXECUTED this ____ day of _____, 2006.

ASSIGNOR:

Lincoln County Utilities Co.,
a Missouri corporation

By:_____
Name:_____
Title:_____

ASSIGNEE:

Public Water Supply District No. 1 of Lincoln, Missouri,
a political corporation

By:_____
Name:_____
Title:_____

STATE OF MISSOURI)
) SS.
COUNTY OF LINCOLN)

On this _____ day _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn did say that such person is the _____ of Lincoln County Utilities Co., a Missouri corporation, and that said instrument was signed on behalf of said corporation, by authority of its Board of Directors and shareholders, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid the day and year first above written.

_____
Notary Public

My Commission Expires:

STATE OF MISSOURI)
) SS.
COUNTY OF LINCOLN)

On this _____ day of _____, 2006, before me appeared _____, to me personally known, who, being by me duly sworn did say that such person is the _____ of Public Water Supply District No. 1 of Lincoln County, Missouri, a political corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said Public Water Supply District No. 1 of Lincoln County, Missouri and that said instrument was signed and sealed on behalf of said political corporation, by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said political corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid, the day and year first above written.

_____
Notary Public

My Commission Expires: _____

EXHIBIT A TO ASSIGNMENT OF EASEMENTS

LEGAL DESCRIPTION

Beginning at the Northeast corner of Lot 56 of the Prairie Haute Tract as same is recorded in Book "M" on page 56 at the Recorders office in Lincoln County, Missouri, thence South 7 degrees 30 minutes West along the East line of said Lot 56 a distance of 873.00 feet; thence North 82 degrees 30 minutes West 682.46 feet; thence North 3 degrees 00 minutes East 155.00 feet; thence North 42 degrees 39 minutes 27 seconds West 404.16 feet to a point on the South line of Lot 55 of said Prairie Haute Tract; thence North 72 degrees 55 minutes 46 seconds East along said South line of Lot 55 a distance of 1105.00 feet to the point of beginning and containing 12.794 acres more or less.

And applicable easements.

and,

A tract of land in Lot 51 of the Prairie Haute tract in U.S. Survey 3035, Township 48 North, Range 2 East, Lincoln County, Missouri, said tract of land being more particularly described as follows: Commencing at the Northwest corner of Lot 11 of Plat 2 of GREEN ACRES subdivision as said Plat is recorded in Plat book 9, page 16 of the Lincoln County Recorder's Office; thence North 48 degrees 15' 36" East, 132.83 feet to a point; thence north 15 degrees 42' West, 110.15 feet to a point in the southern R.O.W. line of the Burlington-Northern Railroad land; thence South 74 degrees 54 ' West along said R.O.W. line, 99.42 feet to a point; thence South 41 degrees 44' 24" East, 128.56 feet to a point; thence South 48 degrees 15" 36" West, 90.00 feet to a point in the R.O.W. line of the street known as Emerald Court as shown in the above said Plat 2; thence Southeasternly along said R.O.W. line of Emerald Court a distance of 15.22 feet to the point of beginning.

and,

All water mains and appurtenances thereto situated in Lots 51, 53, and 54 of the Prairie Haute tract in U.S. Survey 3035, Township 48 North, Range 2 East, Lincoln County, Missouri, owned by Lincoln County Utilities Co., together with all water mains and appurtenances owned by Lincoln County Utilities Co., located within public right-of-ways and roadways adjoining Green Acres subdivision, Plats 1,2, and 3, as said plats are recorded in the Lincoln County Recorder's Office, State of Missouri.

And applicable easements.

EXHIBIT B TO ASSIGNMENT OF EASEMENTS

LISTING OF EASEMENTS

[Insert List of Easements]

EXHIBIT F

BILL OF SALE

For and in consideration of the sum of Ten Dollars, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned ("Seller") hereby sells, transfers and conveys to PUBLIC WATER SUPPLY DISTRICT NO. 1 OF LINCOLN COUNTY, MISSOURI, a political corporation ("Purchaser"), all right, title and interest in and to the assets described on Exhibit A attached hereto (the "Assets"). The Assets are sold pursuant to the terms of that certain Purchase and Sale Agreement dated _____, 2006, and the representations, warranties and covenants contained therein.

Dated this _____ day of _____, 2006.

LINCOLN COUNTY UTILITIES CO.

By: _____
Name: _____
Title: _____

EXHIBIT A TO BILL OF SALE

List of Assets

[Insert list of Assets]

EXHIBIT G TO PURCHASE AND SALE AGREEMENT

CUSTOMER NOTICE LETTER

_____, 200___

RE: NOTICE TO CUSTOMERS OF SALE OF SANITARY SEWER SYSTEM TO PUBLIC WATER SUPPLY DISTRICT NO. 1 OF LINCOLN COUNTY, MISSOURI

Notice is hereby given to the customers of Lincoln County Utilities Co., that Lincoln County Utilities Co., a Missouri corporation, has, effective _____, 200___, sold and conveyed the sanitary sewer system (the "Sewer System") providing sanitary sewer service to you to PUBLIC WATER SUPPLY DISTRICT NO. 1 OF LINCOLN COUNTY, MISSOURI, a political corporation ("Purchaser").

You are hereby directed to pay all future sanitary sewer bills as specified below:

TO:_____

AT:_____

SELLER:

LINCOLN COUNTY UTILITIES CO.,
a Missouri corporation

By:_____
Name:_____
Title:_____

PURCHASER:

PUBLIC WATER SUPPLY DISTRICT NO. 1 OF LINCOLN COUNTY, MISSOURI
a political corporation

By:_____
Name:_____
Title:_____

EXHIBIT
3

Resolution to Sell Assets Subject to Shareholder Agreement

WHEREAS, an offer has been made to Lincoln County Utilities Company by Public Water Supply District No. 1 to purchase the entire assets of this Company for the consideration and upon the terms and conditions set forth in the proposed agreement as annexed, and

WHEREAS, in the opinion of this Board of Directors, it is in the best interests of this Company that its entire assets be sold to by Public Water Supply District No. 1 upon the price, terms and conditions in the proposed agreement above, be it:

RESOLVED, that the offer of said Public Water Supply District No. 1 is hereby accepted, subject to the approval of the Shareholders of this Company, and

RESOLVED FURTHER, that the President and the Secretary are hereby authorized and directed to make, execute, and deliver the aforementioned agreement upon the adoption of the same by the Shareholders of this Company, and

RESOLVED FURTHER, that the Secretary of the Corporation notice a special shareholder meeting for the purposes of obtaining stockholder approval to said sale.

The undersigned hereby certifies that he is the duly elected and qualified Secretary and the custodian of the books and records and seal of Lincoln County Utilities, a company duly formed pursuant to the laws of the state of Missouri and that the foregoing is a true record of a resolution duly adopted at a meeting of the shareholders and that said meeting was held in accordance with state law and the Bylaws of the above-named Corporation on February 23, 2006, and that said resolution is now in full force and effect without modification or rescission.

IN WITNESS WHEREOF, I have executed my name as Secretary and have hereunto affixed the corporate seal of the above-named Corporation this 23RD day of FEBRUARY, 2006.

Dennis J. Schulte

DENNIS J. SCHULTE, SECRETARY