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**FIRST SUPPLEMENTAL LOAN AGREEMENT**

**Dated as of September 1, 2008**

**between the**

**STATE ENVIRONMENTAL IMPROVEMENT  
AND ENERGY RESOURCES AUTHORITY**

**and**

**THE RAYTOWN WATER COMPANY**

**Relating to**

**\$970,000**

**Water Facilities Refunding and Improvement Revenue Bonds  
(The Raytown Water Company)  
Series 2008**

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**THIS FIRST SUPPLEMENTAL LOAN AGREEMENT HAS BEEN ASSIGNED TO, AND IS  
SUBJECT TO A SECURITY INTEREST IN FAVOR OF UMB BANK, N.A., TRUSTEE UNDER  
AN INDENTURE OF TRUST DATED AS OF JULY 1, 1999, AS AMENDED BY THE FIRST  
SUPPLEMENTAL INDENTURE OF TRUST DATED AS OF SEPTEMBER 1, 2008, AS  
AMENDED AND SUPPLEMENTED FROM TIME TO TIME.**

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## **FIRST SUPPLEMENTAL LOAN AGREEMENT**

**THIS FIRST SUPPLEMENTAL LOAN AGREEMENT** dated as of September 1, 2008 (this "First Supplemental Loan Agreement"), by and between the **STATE ENVIRONMENTAL IMPROVEMENT AND ENERGY RESOURCES AUTHORITY**, a body corporate and politic and a governmental instrumentality of the State of Missouri (the "Authority"), and **THE RAYTOWN WATER COMPANY**, a corporation organized and existing under the laws of the State of Missouri (the "Company");

### **RECITALS:**

1. The Authority is authorized and empowered, under the provisions of Sections 260.005 to 260.125, inclusive, R.S.Mo., as amended, and Appendix B(1) thereto (the "Act"), to issue bonds and loan the proceeds thereof for any of the purposes of the Act, including the payment of "costs" of "water facilities" as defined in the Act.

2. Pursuant to the Act and a resolution duly adopted by the Authority, the Authority previously issued its \$2,470,000 original principal amount of Water Facilities Refunding Revenue Bonds (The Raytown Water Company) Series 1999A (the "Prior Bonds"), under an Indenture of Trust (the "Original Indenture") dated as of July 1, 1999 between the Authority and UMB Bank, N.A. (the "Trustee") for the purpose of making a loan to the Company pursuant to a Loan Agreement dated as of July 1, 1999 (the "Original Loan Agreement," with the Original Loan Agreement as amended by this First Supplemental Loan Agreement being the "Loan Agreement"), to provide funds to refinance the costs for construction, acquisition and installation of transmission mains and an elevated water tank at 9906 East 63<sup>rd</sup> Street (Rear), Raytown, Missouri.

3. The Company has requested that the Authority make a loan to the Company for the purpose of providing funds to refund the Prior Bonds, to finance the costs of other improvements for the Company and to pay certain related costs, all as more fully defined and described in this First Supplemental Loan Agreement and in the below defined Indenture, in consideration of payments by the Company which will be sufficient to pay the principal of, redemption premium, if any, and the interest on the bonds issued by the Authority.

4. In order to provide funds to make the loan to the Company, the Authority is issuing \$970,000 principal amount of Water Facilities Refunding and Improvement Revenue Bonds (The Raytown Water Company) Series 2008 (the "Series 2008 Bonds") pursuant to the Act and the Original Indenture, as supplemented by the First Supplemental Indenture of Trust dated as of September 1, 2008 (the "First Supplemental Indenture," with the Original Indenture as amended by the First Supplemental Indenture being the "Indenture") by and between the Authority and UMB Bank, N.A., Kansas City, Missouri, as Trustee (the "Trustee"); and

5. To evidence the loan, the Company is concurrently with the delivery of this First Supplemental Loan Agreement issuing to the Authority its Promissory Note, Series 2008 (the "Series 2008 Note"), in the principal amount of \$970,000, substantially in the form of **Exhibit A**.

6. The Authority and the Company are entering into this First Supplemental Loan Agreement to provide for the loan of the proceeds of the Series 2008 Bonds to the Company and the repayment of the Series 2008 Note.

## **AGREEMENT:**

### **ARTICLE I**

#### **DEFINITIONS; RULES OF CONSTRUCTION**

**Section 1.1. Definitions of Words and Terms.** Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

### **ARTICLE II**

#### **REPRESENTATIONS**

**Section 2.1. Representations by the Authority.** The Authority represents to the Company and the Trustee as follows:

(a) *Organization and Authority.* The Authority (1) is a governmental instrumentality and body corporate and politic duly organized and existing under the laws of the State, and (2) has lawful power and authority to enter into, execute and deliver this First Supplemental Loan Agreement and to carry out its obligations hereunder and to endorse and deliver the Series 2008 Note, and by all necessary corporate action has been duly authorized to execute and deliver this First Supplemental Loan Agreement and the Series 2008 Note and any other Bond Documents required to be executed and delivered by it in connection with the issuance of the Series 2008 Bonds, acting by and through its duly authorized officers.

(b) *No Defaults or Violations of Law.* The execution and delivery of this First Supplemental Loan Agreement, the Series 2008 Note and any other Bond Documents by the Authority will not result in a breach of any of the terms of, or constitute a default under, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Authority is a party or by which it or any of its property is bound or its bylaws or any of the constitutional or statutory rules or regulations applicable to the Authority or its property.

**Section 2.2. Representations by the Company.** The Company represents to the Authority and the Trustee as follows:

(a) *Existence.* The Company is a corporation duly organized, legally existing and in good standing under the laws of the State and is in good standing under the laws of all jurisdictions wherein the business transacted by it makes such qualification necessary; has all requisite power and authority and all necessary licenses and permits to own and operate its properties and to carry on its business as now conducted and as presently proposed to be conducted and to enter into those Bond Documents to which it is a party and the other agreements referred to herein and transactions contemplated thereby and to carry out the provisions and conditions of those Bond Documents to which it is a party.

(b) *Due Execution and Delivery.* The Company has full power, authority and legal right to incur the obligations provided for in, to execute and deliver and to perform and observe the terms and provisions of, the Bond Documents to which it is a party, and each of the Bond Documents to which it is a party has been duly executed and delivered by the Company by appropriate and all required action, and the Company has obtained all requisite consents to the transactions contemplated thereby under any instrument to which it is a party, and those Bond Documents to which it is a party constitute the legal, valid and binding obligations of the Company enforceable in accordance with their respective terms

except to the extent enforcement thereof may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors rights or principles of equity.

(c) *No Breach of Other Instruments.* Neither the execution and delivery of those Bond Documents to which the Company is a party nor the compliance by the Company with the terms and conditions of such Bond Documents, nor the consummation of the transactions contemplated thereby, will conflict with or result in a breach of any of the terms, conditions or provisions of its organizational documents or any agreement or instrument or other restriction or law, regulation, rule or order of any governmental body or agency to which the Company is now a party or is subject, or constitute a default thereunder, or result in the creation or imposition of a lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Company in violation of the terms of any such agreement or instrument.

(d) *Governmental Consent.* Because the Company is a public utility regulated by the Missouri Public Service Commission (the "Commission") pursuant to Chapters 386 and 393 of the Missouri Revised Statutes, execution of the Bond Documents, consummation of the transactions therein contemplated, and the offer, issue, sale and delivery of the Series 2008 Bonds require the authorization of the Commission. The Commission's authorization was obtained in the Report and Order issued by the Commission on July 22, 2008, to be effective on August 1, 2008 in case No. WF-2008-0356. No other governmental action or approval is required for the offer, issue, sale and delivery of the Series 2008 Bonds and the receipt of the loan of the proceeds of the Series 2008 Bonds by the Company.

(e) *Collateral.* The Company has good title to its Property, free and clear of all liens, pledges, mortgages, security interests, charges, claims and other encumbrances, except for Permitted Encumbrances and as otherwise provided in the Bond Documents.

(f) *Absence of Defaults, Etc.* The Company is not (i) in default under any indenture or material contract or agreement to which it is a party, (ii) in violation of its organizational documents, (iii) in default with respect to any order, writ, injunction or decree of any court, or (iv) in default under any charter, order or license of any federal or state governmental department, which default or violation in any of the aforesaid cases has a Material Adverse Effect. There exists no condition, event or act which constitutes, or after notice or lapse of time or both would constitute, an Event of Default.

(g) *Financial Condition.* The annual financial statements of the Company for its Fiscal Year ended December 31, 2007, which have been delivered to the Authority or the Original Purchaser, have been prepared in accordance with generally accepted accounting principles, consistently applied, and present fairly the financial condition and changes in financial position of the Company as at the date or dates and for the period or periods stated. Since December 31, 2007, the Company has not incurred any material liabilities or obligations, direct or contingent, not in the ordinary course of business and there has not been any change in the business, properties or condition, financial or otherwise, of the Company, except for changes arising in the ordinary course of business.

(h) *Litigation.* Except as described in the Financial Statements or as otherwise disclosed in writing to the Authority, at the date of this Agreement there is no litigation, legal or administrative proceeding, investigation or other action of any nature pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary which involves the possibility of any judgment or liability not fully covered by insurance and which would have a Material Adverse Effect.

(i) *Pension and Welfare Plans.* Each Pension Plan, if any, complies in all material respects with all applicable statutes and governmental rules and regulations; no reportable event has occurred and is continuing with respect to any Pension Plan; neither the Company nor any ERISA Affiliate has

withdrawn from any Multiemployer Plan in a “complete withdrawal” or a “partial withdrawal” as defined in sections 4203 or 4205 of ERISA, respectively; no steps have been instituted by the Company to terminate any Pension Plan which termination would have a Material Adverse Effect upon the Company; and no condition exists or event or transaction has occurred in connection with any Pension Plan or Multiemployer Plan which could result in the Company or any ERISA Affiliate incurring any material liability, fine or penalty. Neither the Company nor any ERISA Affiliate is a “contributing sponsor” as defined in Section 4001(a)(13) of ERISA of a “single-employer plan” as defined in Section 4001(a)(15) of ERISA which has two or more contributing sponsors at least two of whom are not under common control. Neither the Company nor any Subsidiary has any contingent liability with respect to any “employee welfare benefit plans,” as defined in Section 3(1) of ERISA, which covers retired employees and their beneficiaries.

(j) *Patents, Licenses, Etc.* The Company possesses all of the necessary patents, licenses, trademarks, trademark rights, tradenames, tradename rights and copyrights to conduct its businesses as now conducted, without conflict with any patent, license, trademark, tradename or copyright of any other Person, except as to which the failure of such possession would not have a Material Adverse Effect upon the Company.

(k) *Taxes.* The Company has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all taxes as shown on said returns or on any assessment to the extent such taxes have become due, except for taxes which are being contested in good faith and against which reserves, in accordance with generally accepted accounting principles consistently applied, have been established and except for taxes with respect to which a failure to so file returns or make payment would not have a Material Adverse Effect upon the Company. The Company is not aware of any proposed material tax assessments against it.

(l) *Compliance with Law.* The Company is currently in compliance with any and all laws, ordinances or governmental rules and regulations to which it is subject and has obtained any and all licenses, permits, franchises or other governmental authorizations necessary to the ownership of its Properties or to the conduct of its businesses, except as to which such violation or failure to obtain would not have a Material Adverse Effect upon the Company.

(m) *Environmental and Safety and Health Matters.* (i) The operations of the Company and each Subsidiary of the Company, to the best of Company’s knowledge and without having conducted any environmental studies, comply in all material respects with (A) all applicable Environmental Laws, and (B) all applicable occupational safety and health laws; (ii) none of the operations of the Company or any Subsidiary are subject to any judicial or administrative proceeding alleging the violation of any Environmental Law or occupational safety and health law; (iii) none of the operations of the Company or any Subsidiary is the subject of federal or state investigation evaluating whether any remedial action is needed to respond to (A) spillage, disposal or release into the environment of any Hazardous Material or other hazardous, toxic or dangerous waste, substance or constituent, or other substances, or (B) unsafe or unhealthful condition at any premises of the Company or any Subsidiary; (iv) neither the Company nor any Subsidiary of the Company has filed any notice under any Environmental Law or occupational safety and health law indicating or reporting (A) any past or present spillage, disposal or release into the environment of, or treatment, storage or disposal of, any Hazardous Material or other hazardous, toxic or dangerous waste, substance or constituent, or other substance or (B) any unsafe or unhealthful condition at any premises of the Company.

(n) *Representations and Warranties in Other Bond Documents.* The Company represents and warrants that all of the representations and warranties of the Company in the other Bond Documents

to which the Company is a party were true and correct in all material respects when made and are true and correct in all material respects on the Closing Date.

### ARTICLE III

#### LOAN TO THE COMPANY; USE OF PROCEEDS

**Section 3.1. Loan of Funds to the Company.** Simultaneously with the execution and delivery of this First Supplemental Loan Agreement, the Authority will loan the proceeds of the sale of the Series 2008 Bonds to the Company. The Company agrees to receive such loan from the Authority, for the purposes provided herein and in the Indenture. The loan is evidenced by the Series 2008 Note in the principal sum of \$970,000.

**Section 3.2. Use of Proceeds; Completion of the Project.** The proceeds of the Series 2008 Bonds will be deposited with the Trustee and applied as provided in the Indenture and in the Loan Agreement, together with other available funds of the Company, to refund the Prior Bonds in whole, to finance and refinance the costs of the Project, to fund a debt service reserve and to pay certain costs related to the issuance of the Series 2008 Bonds.

The Company shall cause the Project to be diligently and continuously pursued and to be completed with reasonable dispatch, and to provide (from its own funds if required) all moneys necessary to complete the Project substantially in accordance with **Exhibit B** to this First Supplemental Loan Agreement.

The Company agrees to comply with all of the provisions set forth in the Indenture with respect to the construction of the Project and to perform all obligations of the Company set out in the Indenture.

**Section 3.3. Project Documents.** The Company, at its own cost and expense, shall maintain in its files and available for inspection by the Trustee copies of the following documents at such time as such documents become available and in any event by the time work is commenced on the portion of the Project to which they relate:

- (a) *Plans and Specifications.* All available preliminary and final plans and specifications for the Project.
- (b) *Construction Contracts.* All architect's and general contractor's contracts for the Project and all prime subcontractor's contracts and purchase orders for any equipment included in the Project.
- (c) *Licenses and Permits.* Licenses and permits to construct and occupy the Project and to operate the existing facilities of the Company, including all approvals and other permits for the acquisition, construction and equipping portions of the Project from any governmental agency as may be necessary for such work.
- (d) *Payment and Performance Bonds.* Payment and performance bonds insuring the Company, the Authority and the Trustee as their respective interests may appear against delays in completion of all construction contracts, against failure timely to complete the portion of the Project financed with the proceeds of the Series 2008 Bonds in accordance with the plans and specifications therefor, and against claims for payment to cover labor



and material used or reasonably required for use in the performance of the construction contracts.

**Section 3.4. Changes or Amendments to Project.** The Company may make, authorize or permit such changes or amendments in the Project as it may reasonably determine to be necessary or desirable; provided, however, that no such change or amendment shall be made to the Project that would cause a material change in the cost, scope, nature, or function of the Project, unless the Company shall file with the Trustee:

- (a) an Officer's Certificate to the effect that the Project will, after such change or amendment, continue to constitute "water facilities" within the meaning of the Act, and such change or amendment will not result in any Property of the Company being used for any purpose prohibited by the Loan Agreement or otherwise result in the Company failing to comply with any provisions of the Loan Agreement; and
- (b) at the discretion of the Trustee, either (1) an opinion of Bond Counsel addressed to the Trustee and the Authority to the effect that (A) such change or amendment will not result in the interest on the Series 2008 Bonds becoming includable in gross income for purposes of federal income taxation, and (B) such change or amendment will not cause the average maturity of the Bonds to exceed 120% of the average reasonably expected economic life of the facilities financed or refinanced with proceeds of the Series 2008 Bonds, or (2) an Officer's Certificate to the effect that the Company expects to be able to shorten the average maturity of the Series 2008 Bonds to not exceed 120% of the average reasonably expected economic life of the facilities financed or refinanced with proceeds of the Series 2008 Bonds, as recalculated in accordance with the provisions of the Code, through the deposit to the Debt Service Fund as described below in this Section.

If any change or amendment would render materially inaccurate the description of the Project in **Exhibit B** to this First Supplemental Loan Agreement, there shall be delivered to the Trustee a revised **Exhibit B** containing a description of the Project that reflects such change, the accuracy of which shall have been certified by an Officer's Certificate.

If any change or amendment to the Project would cause a material change in the cost, scope, nature or function of the Project as described in this Section, the Company at the completion of the Project shall recalculate the average reasonably expected economic life of the Project, as completed. If any such recalculation demonstrates that the average maturity of the Series 2008 Bonds exceeds 120% of the average reasonably expected economic life of the facilities financed or refinanced with proceeds of such Bonds, the Company shall instruct the Authority and the Trustee to call Series 2008 Bonds for redemption pursuant to the Indenture and to pay to the Trustee for deposit in the Debt Service Fund held under the Indenture, as a prepayment of the Series 2008 Note, an amount which, when applied by the Trustee to redeem Series 2008 Bonds, is sufficient, based on an opinion of Bond Counsel addressed to the Trustee and the Authority, to cause the average maturity of the Series 2008 Bonds to be no more than 120% of the average reasonably expected economic life of the facilities financed or refinanced with proceeds of such Bonds. Such deposit to the Debt Service Fund shall be made at such time as will permit the Trustee to give proper notice of redemption pursuant to the Indenture on the first date the Bonds may be optionally redeemed.

**Section 3.5. Enforcement of Contracts and Surety Bonds.** In the event of a material default of any contractor or subcontractor under any construction contract or any other contract made in connection with the Project, or in the event of a material breach of warranty with respect to any

materials, workmanship or performance, the Company will promptly proceed, either separately or in conjunction with others, to pursue diligently the remedies of the Company against the contractor or subcontractor in default and against any surety on a bond securing the performance of such contract. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, after deduction of expenses incurred in such recovery and after reimbursement to the Company of any amounts theretofore paid by the Company and not previously reimbursed to the Company for correcting or remedying of the default which gave rise to the proceedings against the contractor, subcontractor or surety, shall be paid into the Project Fund if received before the date of completion of the Project, and otherwise shall be deposited as provided in the Indenture.

## **ARTICLE IV**

### **LOAN PAYMENTS AND OTHER PAYMENTS**

#### **Section 4.1. Loan Payments.**

(a) The Company will duly and punctually pay the principal of, prepayment penalty, if any, and interest on the Notes on the dates and at the places and in the manner specified in the Notes and in this Loan Agreement, according to the true intent and meaning thereof and hereof. Notwithstanding any schedule of payments upon the Notes set forth in this Loan Agreement or in the Notes, the Company agrees to make payments upon the Notes and be liable therefor at the times and in the amounts (including principal, interest and redemption premium, if any) equal to the amounts to be paid as interest, premium, if any, and principal, whether at maturity or by redemption, upon the Bonds Outstanding under the Indenture.

(b) To provide for the payment of the Series 2008 Note, and the principal of and interest on the Series 2008 Bonds, subject to the prepayment requirements of **Section 4.5** of the Original Loan Agreement, the Company will make the following payments directly to the Trustee, from moneys available to the Company, for the account of the Authority, for deposit in the Debt Service Fund, on the following dates, and otherwise as set out below:

(1) *Interest:* On the fifteenth day of each calendar month (or on the next Business Day thereafter if the fifteenth is not a Business Day), commencing October 15, 2008, a prorata portion of the amount of interest to become due on the Bonds on December 1, 2008, and on the fifteenth day of each calendar month thereafter (or on the next Business Day thereafter if the fifteenth is not a Business Day) commencing with the month of December, 2008, an amount which is not less than one-sixth of the interest to become due on the next ensuing Interest Payment Date on the Bonds. The Company's obligation will be reduced by the amount of the applicable credits under **Section 4.3**.

(2) *Principal:* On the fifteenth day of each month (or on the next Business Day thereafter if the fifteenth is not a Business Day) commencing December 15, 2008 and ending on November 15, 2009, a pro rata portion of principal due on the Bonds on December 1, 2009, and on the fifteenth day of each month thereafter (or on the next Business Day thereafter if the fifteenth is not a Business Day) commencing December 15, 2009, an amount which is not less than one-twelfth of the next installment of principal due on the Bonds, whether by maturity, mandatory sinking fund redemption or otherwise. The Company's obligation will be reduced by the amount of the applicable credits under **Section 4.3**.

(c) Unpaid Loan Payments will bear interest from the due date at the annual rate of the Prime Rate plus 2% calculated on the actual number of days elapsed and a 360-day year. Any interest

charged and collected on unpaid Loan Payments will be deposited in the Debt Service Fund and applied to pay interest on overdue amounts in accordance with **Section 707** of the Indenture.

(d) Any supplements to the Loan Agreement authorizing the issuance of Additional Bonds and Additional Notes will provide for similar monthly deposits to the Debt Service Fund of amounts sufficient to provide for the prompt payment of the principal of, premium, if any, and interest on any Additional Bonds or Additional Notes as the same become due.

(e) It is the intent of this Section that the Company's loan repayment obligation be in the amounts and at the times necessary to enable the Trustee, on behalf of the Authority, to pay all amounts payable with respect to the Bonds when due, whether as principal, premium, interest or otherwise, and whether at maturity or by redemption or acceleration of maturity or otherwise

**Section 4.2. Additional Payments.** The Company agrees to make the following additional payments:

(a) *Rebate Payments:* to the Trustee, all rebate payments required under Section 148(f) of the Code and the Tax Compliance Agreement, to the extent such amounts are not available to the Trustee in the Rebate Fund or other funds and accounts held under the Indenture;

(b) *Trustee Fees and Professional Fees:* to the Trustee and any Paying Agent, registrars; counsel, accountants, engineers and other Persons, when due, all reasonable fees, charges and expenses of such Persons for services rendered under the Indenture and under any Bond Document and expenses incurred in the performance of such services under the Indenture and any Bond Document for which such Persons are entitled to payment or reimbursement;

(c) *Authority Fees and Expenses:* to the Authority upon demand, its regular fees and charges and all reasonable expenses incurred by the Authority in relation to the transactions contemplated by the Loan Agreement, the Indenture and any other Bond Document which are not otherwise required to be paid by the Company under the terms of the Loan Agreement, including all fees and charges of the Authority as provided for under the Act and payable to the Authority;

(d) *Advances:* to the Authority or the Trustee, as the case may be, the amount of all advances of funds made by any of them under the provisions of **Section 8.8**, with interest thereon at the Prime Rate plus 2%;

(e) *Debt Service Reserve Fund Deposits:* to the Trustee upon demand, for deposit in the Debt Service Reserve Fund, monthly on the next Loan Payment date which follows the Trustee's demand, one-sixth of any valuation deficiency in the Debt Service Reserve Fund, one-twelfth of any deficiency for moneys withdrawn from the Debt Service Reserve Fund, or such other amount according to a schedule approved by the Owners of not less than a majority in principal amount of Bonds then Outstanding as provided in **Section 406(c)** of the Original Indenture;

(f) *Repair and Replacement Fund Deposits:* The Company will establish in its custody a Repair and Replacement Fund for the operation of its water facilities. The Company shall deposit in the Repair and Replacement Fund, the sum of \$25,000 at the time of issuance of the Series 2008 Bonds, and \$10,000 on the fifteenth day of each month (or on the next Business Day thereafter if the fifteenth day is not a Business Day), if at any time the amount on deposit in the Repair and Replacement Fund is less than \$25,000 until the amount in the Repair and Replacement Fund aggregates \$25,000. Moneys in the Repair and Replacement Fund may be

first used by the Company to make up any deficiencies in the Debt Service Fund and the Debt Service Reserve Fund (in that order), and the balance, so long as no Event of Default exists under the Bond Documents, may be withdrawn by the Company to pay the costs of repairs and replacements to the Facilities. Any supplements to this Loan Agreement authorizing the issuance of Additional Bonds and Additional Notes will provide for similar monthly deposits into the Repair and Replacement Fund amounts sufficient to increase, if necessary, the deposits to the Repair and Replacement Fund as required by the Indenture or the Loan Agreement; and

(g) *Attorneys Fees and Other Expenses:* to the Authority and the Trustee, as applicable, all indemnity payments required to be made under **Sections 5.18 and 5.19** (such indemnity payments being due to the Authority or the Trustee, as applicable, upon written demand therefor and accruing interest at the annual rate of the Prime Rate plus 2% following 60 days after notice of demand therefor) of the Original Loan Agreement.

#### **Section 4.3. Credits on Loan Payments.**

(a) Any moneys deposited by the Trustee or the Company in the Debt Service Fund (including moneys received as accrued interest from the sale of Bonds and any initial deposit made from the proceeds of the sale of any series of Bonds) will be credited against the obligation of the Company to pay interest on the Notes as the same become due.

(b) Any moneys deposited by the Trustee or the Company in the Debt Service Fund shall be credited against the obligation of the Company to pay the principal of the Notes as the same become due in the order of maturity thereof, except that prepayments for purposes of making an optional deposit for redemption will be applied to the maturities of principal of the respective Note corresponding to the series and maturities of the Bonds to be redeemed or purchased, delivered and cancelled from the proceeds of such optional deposit.

(c) The principal amount of Bonds of any series and maturity purchased by the Company and delivered to the Trustee, or purchased by the Trustee and cancelled, shall be credited against the obligation of the Company to pay principal on the Note related to such series of Bonds so purchased (including installment payments corresponding to mandatory sinking fund payments, if any, on the Bonds); provided, however, that deposit of a Bond of one series and maturity may not be credited against a payment which would be used, in the normal course, to retire a Bond of another series and maturity.

(d) The amount of any moneys transferred by the Trustee from any other fund held under the Indenture and deposited in the Debt Service Fund shall be credited against the obligation of the Company to pay interest or principal, as the case may be, as the same become due.

**Section 4.4. Prepayment.** Whenever any Bonds have been called for redemption under any provision of the Indenture, the Company will prepay the applicable Note in such amount as is required to redeem the Bonds, including the principal, redemption premium, if any, and accrued interest thereon to the redemption date. The Company further agrees that in the event the payment of principal of and interest on the Bonds is accelerated upon the occurrence of an Event of Default under the Indenture, all Loan Payments payable for the remainder of the term of the Loan Agreement will be accelerated and prepayment will be made on the applicable Note in such amounts. Any prepayments will be deposited in the Debt Service Fund, as required by the Indenture or the Loan Agreement or as designated by the Company and applied by the Trustee in accordance with the provisions of the Indenture. Any prepayment shall be credited against Loan Payments to become due on the applicable Note. The Company may also prepay any Note in whole or in part by providing for the payment of all or any portion of the Bonds in accordance with the Indenture.

**Section 4.5. Assignment of Security Interest in Unrestricted Receivables and Personal Property.**

(a) In order to secure the payment of the Series 2008 Note and the performance of the duties and obligations of the Company under the Series 2008 Note and the Loan Agreement, the Company pledges and assigns unto the Authority and its successors and assigns forever, and grants a security interest in, all Unrestricted Receivables of the Company and the tangible personal property and equipment financed with the proceeds of the Series 2008 Bonds (the "Secured Property"), the creation of which security interest is governed by the Uniform Commercial Code of the State.

(b) The Company, at its own expense, will take all necessary action to maintain and preserve the security interest in the Secured Property granted by the Loan Agreement so long as any Bonds, the Series 2008 Note, any Additional Notes or Additional Obligations are Outstanding. In addition, the Company, immediately after the execution and delivery of this First Supplemental Loan Agreement and thereafter from time to time, will cause the Loan Agreement and any financing statements in respect thereof to be filed, registered and recorded in such manner and in such places as may be required by law in order to fully perfect and protect the security interest hereof and thereof and from time to time will perform or cause to be performed any other act as provided by law and will execute or cause to be executed any and all continuation statements and further instruments that may be requested by the Trustee for such perfection and protection. Except to the extent it is exempt therefrom, the Company shall pay or cause to be paid all filing, registration and recording fees and all expenses incident to the preparation, execution and acknowledgment of such instruments of perfection, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Loan Agreement and such instruments of perfection. In the event that the Company fails to execute any of such instruments within 10 days after demand to do so, the Company does hereby make, constitute and irrevocably appoint the Trustee as its attorney-in-fact and in its name, place and stead so to do.

(c) Notwithstanding the security interest granted in the Secured Property under the Loan Agreement, it is understood and agreed that so long as the Company makes when due and payable all Loan Payments hereunder, all payments of principal of and interest on Additional Obligations and all Additional Payments required by the Loan Agreement, including without limitation the payments described in **Sections 4.1 and 4.2**, the Company shall be entitled to utilize the Secured Property and Revenues for its proper corporate purposes.

**ARTICLE V**

**MISCELLANEOUS PROVISIONS**

**Section 5.1. Term of First Supplemental Loan Agreement.** This First Supplemental Loan Agreement shall be effective concurrently with the initial issuance and delivery of the Series 2008 Bonds and shall continue in force and effect until the principal of, redemption premium, if any, and interest on all of the Bonds have been fully paid (or provision for their payment shall have been made in accordance with the Indenture) together with all other sums to which the Authority and the Trustee are entitled from the Institution under the Loan Agreement and the Series 2008 Note.

**Section 5.2. Consent of Company to First Supplemental Indenture.** The Company hereby consents and agrees to the execution and delivery of and the provisions set forth in the First Supplemental Indenture.

**Section 5.3. Applicability of the Original Loan Agreement and First Supplemental Loan Agreement.** Except as otherwise provided in this First Supplemental Loan Agreement, the provisions of the Original Loan Agreement are hereby ratified, approved and confirmed and incorporated herein. This First Supplemental Loan Agreement shall be construed as having been authorized, executed and delivered under the provisions of **Section 901(e)** of the Original Indenture. The Authority and the Company consent and agree to the release of the Mortgaged Property and the Mortgage as security for the Bonds.

**Section 5.4. Severability.** If any provision of this First Supplemental Loan Agreement is held invalid or unenforceable by any court or competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof. All covenants of the Company will be given independent effect so that, if a particular action or condition is prohibited by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or Event of Default if such action is taken or condition exists.

**Section 5.5. Counterparts.** This First Supplemental Loan Agreement is being executed in any number of counterparts, each of which is an original and all of which are identical. Each counterpart of this First Supplemental Loan Agreement is to be deemed an original hereof and all counterparts collectively are to be deemed but one instrument.

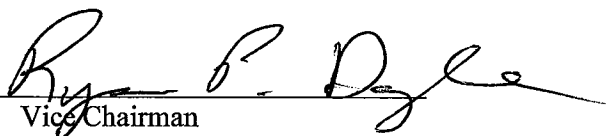
**Section 5.6. Governing Law.** It is the intention of the parties hereto that this First Supplemental Loan Agreement and the rights and obligations of the parties hereunder shall be governed by and construed and enforced in accordance with the laws of the State.

**Section 5.7. Entire Agreement.** ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE. TO PROTECT THE COMPANY AND THE AUTHORITY FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS THE COMPANY AND THE AUTHORITY REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN THE AUTHORITY AND THE COMPANY, EXCEPT AS THE AUTHORITY AND THE COMPANY MAY LATER AGREE IN WRITING TO MODIFY IT.

*[Remainder of this page intentionally left blank]*


**IN WITNESS WHEREOF**, the Authority and the Company have caused this First Supplemental Loan Agreement to be executed as of the day and year first above written.

**STATE ENVIRONMENTAL IMPROVEMENT  
AND ENERGY RESOURCES AUTHORITY**

By:   
Vice Chairman

[Seal]

ATTEST:

  
Secretary

THE RAYTOWN WATER COMPANY

By: Neal S. Clwenger  
President

[SEAL]

ATTEST:

Michelle J. Clwenger  
Secretary



**EXHIBIT A  
TO LOAN AGREEMENT**

**PROMISSORY NOTE  
(SERIES 2008)**

**\$970,000**

**Dated as of September 1, 2008**

**FOR VALUE RECEIVED**, the undersigned **THE RAYTOWN WATER COMPANY** (the "Company"), promises to pay to the order of the **STATE ENVIRONMENTAL IMPROVEMENT AND ENERGY RESOURCES AUTHORITY** (the "Authority"), at its office in Jefferson City, Missouri, or such other place as the owner hereof may designate in writing, the sum of **NINE HUNDRED SEVENTY THOUSAND DOLLARS (\$970,000)**, with interest thereon from the date of delivery hereof at the rates per annum on the outstanding principal balance hereon from time to time as provided in the below defined Indenture. Terms not otherwise defined in this Note have the respective meanings as set forth in the Indenture.

The principal and interest on this Note shall be payable in installments at the times and in the amounts determined as provided in the Loan Agreement dated as of July 1, 1999, as amended by the First Supplemental Loan Agreement dated as of September 1, 2008 (as amended and supplemented in accordance with its terms, the "Loan Agreement"), between the Company and the Authority (the "Loan Agreement"), with the final payment of all outstanding principal and interest on this Note to be paid on December 1, 2014. Both principal and interest under this Note shall be payable at the principal corporate trust office of UMB BANK, N.A., Kansas City, Missouri (the "Trustee"). This Note is subject to mandatory and optional prepayment as provided in the Loan Agreement, with such prepayments being first applied to interest and next to principal.

This Note is made pursuant to the Loan Agreement wherein, among other things, the Authority has agreed to loan to the Company and the Company has agreed to take a loan in the principal amount above, being the proceeds from the sale of the Authority's Water Facilities Refunding and Improvement Revenue Bonds (The Raytown Water Company) Series 2008 (the "Bonds"). The Bonds are being issued by the Authority pursuant to the Indenture of Trust dated as of July 1, 1999, as amended by the First Supplemental Indenture of Trust dated as of September 1, 2008 (as amended and supplemented in accordance with its terms, the "Indenture").

Upon the occurrence of any Event of Default as described in the Loan Agreement, all unpaid principal of and interest on this Note may be declared to be forthwith due and payable in the manner and with the effect provided in the Loan Agreement. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent occurrence of such an Event of Default. If this Note shall be placed in the hands of an attorney or attorneys for collection, the Company agrees to pay, in addition to the amount due hereon, the reasonable costs and expenses of collection, including reasonable attorneys' fees.

The obligations of the Company to make Loan Payments and Additional Payments shall be absolute and unconditional, and the Company shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off,

recoupment or counterclaim which the Company may have or assert against the Authority, the Trustee or any other Person.

If this Note is placed in the hands of an attorney or attorneys for collection, the Company agrees to pay, in addition to the amount due hereon, the reasonable costs and expenses of collection, including reasonable attorneys' fees. All parties to this Note, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice or protest and notice of dishonor.

**Oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable. To protect you (borrower) and us (creditor) from misunderstanding or disappointment, any agreements we reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between us, except as we may later agree in writing to modify it.**

This Note shall be governed by the laws of the State of Missouri.

**THE RAYTOWN WATER COMPANY**

[SEAL]

By: \_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
(Assistant) Secretary

## **ENDORSEMENT**

Pay to the order of UMB Bank, N.A., as Trustee, pursuant to the Indenture between the undersigned and said bank, the Trustee to hold and apply all funds received under this Note as provided in the Indenture. This assignment is without recourse against the undersigned.

### **STATE ENVIRONMENTAL IMPROVEMENT AND ENERGY RESOURCES AUTHORITY**

By: \_\_\_\_\_  
Chairman

**EXHIBIT B**  
**TO LOAN AGREEMENT**  
**DESCRIPTION OF THE PROJECT**