

**AGREEMENT FOR TRANSFER OF WATER PRODUCTION
AND DISTRIBUTION SYSTEM ASSETS**

THIS AGREEMENT (the "Agreement"), made and entered into this 29 day of June, 2010, by and between U.S. Water Company, a Missouri Corporation, ("Seller") and City of Lexington, Missouri, a city of the third class, ("Buyer").

WITNESSETH:

WHEREAS, the Seller has developed, and owns and operates a regulated water production plant, water tower and distribution system in the City of Lexington, Lafayette County, Missouri (hereinafter the "Water System"); and,

WHEREAS, Buyer and Seller are organized and existing under the Constitution and the Laws of the State of Missouri with all the requisite power to enter into the transaction described hereinafter; and have obtained approval of their governing bodies to enter into this contract and,

WHEREAS, Seller desires to transfer certain assets, property and real estate herein itemized which is connected with and essential for the operation of its water system; and,

WHEREAS, Buyer is a city of the third class under Chapter 77, RSMo., and desires to purchase said assets, property and real estate, and,

WHEREAS, the parties have reached an understanding with respect to the transfer by the Seller to the Buyer of the assets herein described, and wish to memorialize and perfect the same,

NOW, THEREFORE, it is mutually agreed that:

1. **TRANSFER OF ASSETS.**

Subject to and conditioned upon obtaining bond counsel approval of the election, closing of a loan from the USDA, Rural Development for the acquisition costs, PSC approval of the sale, the completion of repairs/new construction to dispose of the regulatory citation(s) herein specified, and subject to approval of MoDNR or other regulatory bodies having jurisdiction, and

EXHIBIT "B"

for and in consideration of the payment of the sum of:

Two Million Nine Hundred Thousand Dollars, (\$2,900,000.00)

and the covenants and promises hereinafter contained, Seller agrees that on the closing date, the Seller shall transfer, assign and deliver Seller's assets pertaining to the production, storage and transmission of water located in Lafayette County, Missouri, and the related properties herein described, which are collectively described as the "Assets". The parties acknowledge that the Buyer's revenue bonds have been approved by the voters of the city of Lexington. The rights in land "Assets" must be conveyed with title insurance from First American Title or other acceptable carrier to buyer, insuring the same as marketable in fact, unless title defects are waived by Buyer and USDA, Rural Development. Assets which are to be transferred to Buyer include the following:

A. The land, buildings, leasehold interests in land, easements, both express and implied or gained by prescription, rights of way, Seller's right to draw water from the Missouri river, right of way permits and licenses or leases for right of way, including all the several railroad crossings at the plant and elsewhere in the Lexington community, including the interests generally described in Exhibit A, attached hereto and incorporated herein by reference. It is understood that by this agreement, Seller intends to sell and Buyer intends to buy all of such assets and rights of Seller in Lafayette County, Missouri, not specifically reserved to Seller herein.

B. All of Seller's water production and distribution facilities, equipment, waterlines, manholes, drainage lines, raw water lines, raw water intake in the Missouri River, plant, pipes and appurtenances, meters, meter pits, valves, pressure regulators, pumps, water towers, and other devices, all of which are either installed in the ground or attached to the production and

distribution system, dedicated to the production, pressurization and transmission of water within Lafayette County, Missouri, and also generally described in Exhibit A. It is understood that by this agreement, Seller intends to sell and Buyer intends to buy all of such assets and rights of Seller in Lafayette County, Missouri, not specifically reserved to Seller herein.

C. Seller's uninstalled machinery and equipment such as supplies, meters, tools, testing devices, mobile work equipment, and all furniture, fixtures, supplies and other tangible items located in Lafayette County, Missouri, and used or held for use in connection with the Water System, which is herein referred to as personal property and itemized on Exhibit B attached hereto and incorporated herein by reference. It is understood that by this agreement, Seller intends to sell and Buyer intends to buy all of such assets of Seller in Lafayette County, Missouri, not specifically reserved to Seller herein.

D. Seller's right, title and interest in certain income producing antennae leases subject to retention of certain rights as set forth in Exhibit C. Also Seller will provide title to certain equipment utilized in Seller's business which is the subject of lease agreements, all as further described in Exhibit C. In addition, seller is selling to buyer all accounts receivable uncollected on the date of closing including all earned but unbilled revenue and will transfer to buyer at closing all utility deposits of customers which will segregated from other funds of Buyer and held for application to the customer's accounts. In addition seller is selling to buyer any and all warranties, contracts, supply contracts, agreements, needed for the operation of Seller's facilities and the providing of water service in Lafayette County, Missouri. Details as to antenna leases and equipment which is the subject of lease agreements are more specifically set out in Exhibit C. It is understood that Seller intends to sell and Buyer intends to by all assets and all records of the Seller in Lafayette County, Missouri, and that failure to specifically list an item

does not exclude it from the sale if generally described or a part of the personal property assets of the Seller used in the Seller's business and not specifically excluded from the sale. This clause applies to both tangible and intangible personal property.

E. Seller's inventory, merchandise, contract rights, supplies, and general intangibles including accounts receivable, customer contracts, complete books, maps, drawings and records and customer lists with addresses and telephone numbers, pertaining to water production, transmission and utility services, together with all operational records and reports, computer software and records, and computer equipment used by Seller located in Lafayette County, Missouri. The inventory of meters, parts, fixtures and plumbing supplies are listed on **Exhibit D** attached hereto and incorporated herein by reference. The inventory of chemicals is addressed in paragraph 4E below. It is understood that by this agreement, Seller intends to sell and Buyer intends to buy all of such assets of Seller in Lafayette County, Missouri, not specifically reserved to Seller herein.

F. Seller is selling any other assets utilized in the Seller's business, not specifically described which are located in Lafayette County, Missouri, and used or useful in the Seller's business;

EXCEPT that Seller reserves and will not sell the items listed on **Exhibit E**, attached hereto and incorporated herein by reference. It is understood that by this agreement, Seller intends to sell and Buyer intends to buy all of such assets of Seller in Lafayette County, Missouri, not specifically reserved to Seller herein.

2. CONVEYANCES OF REAL ESTATE.

The real estate to be conveyed by Seller will include all facilities described herein and all interest of Seller in any water easements, however acquired. The real estate will be conveyed by

general warranty deeds, or other conveyance in a form satisfactory to Buyer, will vest marketable title in fact in the Buyer free of liens or encumbrances whatsoever, except as designated in Schedule B of the Title Commitment(s). Seller will provide commitment to insure at Seller's cost insuring these assets as marketable in fact. Easements are primarily street right of way controlled by Buyer and made available to Seller under its past franchises with the city. Pipeline easements will not be the subject of title insurance.

Easements shall be transferred by written assignment or quit claim, in a form satisfactory to Buyer and Seller and will provide continuous and uninterrupted right-of-way for the facilities of the Seller. The Seller will provide all its right-of-way maps and mylars with copies of easements and schedules of easements in its possession, and all engineering plans and layouts and other maps that may be of assistance to the city in operating and maintaining the systems. It is understood that by this agreement, Seller intends to sell and Buyer intends to buy all of such assets of Seller not specifically reserved to Seller herein. The parties understand that some easements may not be recorded and some records such a rail crossing permits may not be located of record, that many lines are entered in the public right of way under the municipal franchise, however the Seller will provide reasonable conveyances of such rights. Buyer acknowledges that Seller has acquired multiple easements for utility service and otherwise from its predecessors, by prescription or otherwise during its ownership over the years and that the original documents may no longer be in existence or of record. Buyer agrees to accept a quit claim conveyance of all of Seller's easement rights, to include any unrecorded easements identified in the Seller's easement and closing book.

Personal property including that installed in the earth will be conveyed by a bill of sale in a form satisfactory to Buyer and Seller.

3. **REGULATORY APPROVALS – INSURANCE.**

A. **PSC Application and Transfer.** The Seller agrees to make application to the Missouri Public Service Commission for authority to complete the transfer of the Assets. Buyer agrees to cooperate in this process when requested to do so by Seller. Buyer and Seller shall act diligently and cooperate with each other in obtaining final approval, if necessary, of the Missouri Department of Natural Resources. Costs of the proceedings are to be paid by Seller. In the event the Missouri Public Service Commission declines approval on the sale then this agreement shall be null and void and of no further force and effect unless a novation agreement acceptable to PSC is concluded between the parties.

B. **Public Utility Permits.** Seller, as a public utility, maintains certain permits for utilization of public right-of-way with dominant political subdivisions such as, Missouri Department of Transportation, Lafayette County, Missouri, and the City of Lexington, Missouri. To the extent performance bonds are required by said dominant political subdivisions, there will be no transfer of interest in any existing bonds and Buyer will be responsible for securing and filing its own bonds.

C. **Insurance.** Because Buyer's insurance is specialized coverage for a municipal government, the parties have agreed that Seller will not be assigning any of Seller's present coverage to Buyer. Buyer will provide its own coverage effective as of the closing date, including coverage required by USDA, Rural Development.

4. **CLOSING.**

A. **Conditions to be met prior to closing.** The parties acknowledge that Lexington voters have approved a revenue bond issue for the required acquisition funds, and that Seller must seek and obtain PSC approval of this sale of assets. The parties further acknowledge that

the problem of the DNR violation citation addressed in paragraph 5H must be concluded prior to closing or a mutually agreeable alternate arrangement be perfected addressing the same. Further the Buyer must obtain clearance from USDA, Rural Development, for closing and provide all documentation to said lender which may be required. The parties agree to cooperate in providing said assurances. The parties agree to schedule closing as promptly as is reasonably possible after the completion of the above conditions and in any event agree to schedule closing within 60 days of completion of said conditions.

B. **Time of Closing.** Following satisfaction of the conditions, above, the closing shall take place at a mutually agreeable location on the 28th day of a month. If the 28th day of the month is a weekend, closing will be held on the first business day following the 28th day of the month. At the closing, Seller shall deliver to the Buyer such deeds, bills of sale, endorsements, assignments and other sufficient instruments of transfer and conveyance including such documents as may be reasonably requested by the lender, as shall be effective to vest in the Buyer such title to the Assets to be transferred. From time to time, at Buyer's request, whether at or at a reasonable time after the closing and without further consideration, the Seller will execute and deliver such other instruments of conveyance or reasonable assurance and take such other action as Buyer reasonably may request to effectively convey and transfer to the Buyer the Assets to be transferred hereunder. The Seller will pay all taxes, or pro-rations, if any, payable in connection with the transfers and deliveries to be made to the Buyer hereunder and indemnify Buyer from any costs associated therewith. The Buyer warrants that it is a political subdivision of the State of Missouri holding Missouri Sales and Use Tax Exemption Certificate 12490903. On the date of closing, Buyer shall accept and assume ownership and title to the Assets to be conveyed hereunder, subject only to the rights retained by Buyer set out in

this agreement. Seller has retained certain property specifically listed in Exhibit E.

C. Accounts Receivable and Security Deposits.

The Seller will be entitled to all collections of accounts receivable collected on or before the date of closing. The Buyer will be entitled to all accounts receivable which are uncollected on the date of closing and all earned but unbilled revenue for water delivered to customers but not yet billed. Seller will provide all records to identify the status of accounts. The Seller will itemize and transfer to Buyer all utility or security deposits held by Seller and provide all records to identify the status of these accounts. Buyer will segregate such security deposit funds as Trust money to be held strictly for the purpose for which said deposits were made and Buyer will not commingle said funds in its operational accounts.

D. Accounts Payable, Adjustments – Reserve Account.

The Seller will pay current all accounts payable, accrued or due, up to the date of closing. To accommodate closing adjustments if any that must occur after closing the parties may establish a reserve account from the sales price not to exceed \$5,000 to meet said adjustments and the Buyer will strictly account to Seller for any and all adjustments within forty-five (45) days of the closing unless otherwise mutually agreed.

E. Inventory of Chemicals on Hand.

Seller will maintain an inventory of chemicals which shall pass to Buyer at closing of at least the volume stated on Exhibit F, attached hereto and incorporated herein by reference.

5. SELLER'S REPRESENTATIONS AND WARRANTIES AND TERMS OF AGREEMENT RELATING THERETO.

The Seller represents and warrants as follows:

A. Organization and Standing of Seller.

Seller is a corporation organized, existing under the constitution and laws of the State of Missouri in good standing, and has all the requisite power and authority to sell the Water System business and its Assets pursuant to the terms of this agreement

B. Liabilities.

All liabilities or obligations of Seller, whether accrued, absolute, contingent or otherwise pertaining to or arising out from the Water System assets and operations are liabilities and obligations of the Seller and will be paid and discharged by Seller, prior to or at closing. Seller warrants that if bills cannot be determined and paid at closing, Seller will promptly pay and discharge the same as soon as the amounts can be determined.

C. Absence of Changes after Inspection.

Buyer may inspect the Water System Assets at reasonable times upon reasonable notice to Seller. A final inspection will be made not more than ten (10) days nor less than five (5) days before closing or as otherwise agreed. After Buyer's final inspection of the Water System, there shall not be:

- i. Any material change in the business, operations, or assets of the Water System;
- ii. Any damage, destruction or loss whether or not covered by insurance, materially and adversely affecting the Water System's assets;
- iii. Buyer understands it is acquiring the Water System Assets as "as is", as more fully described in paragraph 23 of this contract.

D. Title to Properties.

Seller warrants it has, or shall have, good and marketable title to all of the Assets the sale of which are contemplated by this agreement. Except as otherwise provided herein, Seller warrants the assets are to be transferred under this agreement, in all cases, free and clear of all liens, mortgages, pledges, leases, options, rights of first refusal, conditional sales agreements,

encumbrances or other charges, any and all taxes, both due or not yet due and payable, easements or title encumbrances not acceptable to Buyer, drainage rights or other similar rights or restrictions of record which either individually or in the aggregate have a materially adverse effect on the value or utility of the Assets to be sold hereunder. Seller makes no warranty concerning the merchantability or status of the title of the real estate upon which the easements are located except that it is not aware of any threat to its right of continuous and interrupted access for its facilities. Seller agrees to identify any and all interests in land (including easements or license agreements) it has obtained in connection with its operation and maintenance of the Water System and provide Buyer or Buyer's representatives copies of the same with references to the book and page number of the records of the Lafayette County Recorder's Office where such easements are recorded. The personal property which is not a fixture on real estate being conveyed will be conveyed by appropriate Bill of Sale with warranty of title but without express or implied warranty of fitness for a particular purpose. .

E. Authority to Operate.

Except for the retained assets listed on Exhibit E, Seller is selling all assets presently owned by Seller associated in any way with Seller's Water production and Distribution System. To the best of Seller's knowledge, the Water Production and Distribution System is being operated, and as of the closing date, will be operated in full compliance with requirements of all regulatory bodies exercising jurisdiction whatsoever, including jurisdiction over rates and conditions of service. To the best of Seller's knowledge Seller's water system is not in violation of local building and zoning codes. The Seller has been cited by the Missouri DNR for a violation related to backwash discharge and noncompliance with its discharge permit, all as explained in Exhibit G, attached hereto and incorporated herein by reference, and but for this

Notice of Violation, Seller has received no notice of any violation of federal or state safety or environmental statute, rule or regulation, or alleged violations or deficiencies of any regulatory body within the most recent three years. The Notice of Violation and other correspondence relating thereto are attached hereto in Exhibit G. The engineer's plans for remediation and any DNR Responses will be provided to the city and its engineers as noted in Paragraph 5H, below.

F. **Litigation.**

There is no litigation or proceeding pending, or to the knowledge of the Seller threatened, against or relating to the Seller, its properties, or the Water System, nor does the Seller know or have reasonable grounds to know of any basis for any such action, or of any governmental investigation relative to the Seller, its properties, or the Water System, except as otherwise disclosed to Buyer, not fully explained in Exhibit H.

G. **Transfer of Assets Not Violation or Breach.**

Subject to Missouri PSC approval, the performance of this agreement by the Seller, including any preconditions or surviving warranties or representations is not in violation of any laws, statutes, local ordinances state or federal regulations, court orders or administrative order or ruling, nor is such performance in violation of any loan documents, conditions or restrictions in effect for financing, whether secured or unsecured.

H. **Facilities and Operations not in Violation of DNR or EPA Regulations or Directives, except as set forth in Exhibit G. – Corrective Measures to remedy Notice of Violation.**

Seller's facilities and operations are not the subject of notice of violation of the Missouri Clean Water Law and regulations or directives of the Missouri DNR or EPA except as described in the Missouri DNR Notice of Violation Number KCR20100120091773342, dated January 25,

2010, and as described in the Missouri DNR inspection report and Notice of Violation Number KCR2008121509123312, copies of which are attached with other MoDNR correspondence appended to Exhibit G. Seller will provide to Buyer a copy of said documents and access to its engineer working to address the issues. Seller warrants that it has no knowledge of, or notice of, any other uncorrected regulatory violations, which have occurred or continued during the past three years.

The parties agree that prior to closing, unless otherwise agreed, Seller will complete and fully construct in a workmanlike manner corrective measures, required by DNR which may demand more than one component, which are needed to fully meet and satisfy the DNR Notices of Violation. Seller agrees to pay all expenses associated therewith prior to closing. Seller's engineers will be instructed to provide copies of plans to Buyer and to permit observation of construction by buyer and its engineers to the end that buyer is fully informed of the remediation plans and is fully informed of the corrective measures as constructed. Seller agrees to obtain DNR approval prior to closing. Said DNR Approval shall constitute written unqualified verification from the MoDNR Enforcement and Compliance Unit that Seller's facilities are no longer subject to said Notices of Violation. Said DNR approval shall be conclusive and binding on the parties.

6. **BUYER'S REPRESENTATIONS AND WARRANTIES.**

Buyer represents and warrants as follows:

A. **Organization and Standing of Buyer.**

Buyer is a third class city organized, existing under the Constitution and laws of the State of Missouri, and has the requisite power under §91.010 and allied statutes to accept the assets which are to be transferred pursuant to the terms of this agreement and possesses the right and

power to operate a public water system for the use and benefit of the inhabitants of the city.

B. Authority.

The execution and delivery of this agreement by Buyer and the transfer of the assets as contemplated hereby have been duly authorized by the governing body of Buyer, and all necessary action on the part of the Buyer has been taken to authorize the execution and delivery of this agreement and to consummate the transfer contemplated hereby.

7. CONDITIONS PRECEDENT.

All obligations of the Buyer and Seller under this agreement are subject to the fulfillment, prior to or at the closing, of each of the conditions set forth in this agreement.

A. Regulatory Approval.

The Missouri Public Service Commission and Missouri Department of Natural Resources shall have, if necessary, authorized or approved the sale, transfer or disposition of the Assets to the Buyer from the Seller and relinquishment of PSC regulatory oversight. Both parties shall diligently pursue the required approvals and authorizations contemplated herein. In the event the parties are unable to obtain the required regulatory approval or authorization to complete the transactions contemplated within a reasonable period, this Agreement shall automatically terminate. The parties agree to cooperate in this proceeding, but each will absorb their own costs.

B. Approval by Bond Counsel, Closing of USDA Rural Development loan, and Completion and Mutual Approval of corrections to meet the DNR Notice of Violation.

This agreement is subject to the contingencies that (1) Buyer must obtain approval of bond counsel on the bond election, (2) USDA, Rural Development must approve and close the loan providing funds for the acquisition of this facility, and (3) there must be completion and approval of the corrections required to meet the DNR Notice of Violation, all as set forth in

paragraph 5H, above.

C. **Representations and Warranties True at Closing.**

The Seller's representations and warranties contained in this agreement shall be true at the time of closing as though such representations and warranties were made at such time.

D. **Performance.**

The Seller shall have performed and complied with all agreements and conditions required by this agreement to be performed or complied with by Seller prior to or at the closing; including the payment of all taxes and assessments, or portions thereof; attributable to periods prior to or ending on the closing date.

E. **No Casualty.**

The system at any location shall not have been adversely affected in any material way as a result of any strike, lockout, accident or other casualty or act of God or the public enemy, or any judicial, administrative or governmental proceeding.

8. **FEES, COMMISSIONS AND CLOSING COSTS.**

Each party represents that it has not retained any broker or finder and is not paying, and is not obligated to pay, any finder's fee in connection with the transactions contemplated by this agreement. Each party shall pay its own fees for attorneys, accountants, appraisers or others engaged by it in the course of negotiating or executing this agreement and in closing and completing the transactions hereunder provided.

Closing costs will be shared as follows:

Seller will pay:

½ the closing charges of Midwest Title,
Charges for title search and title commitment of Midwest Title,
Tax prorations through closing,
Recording costs for recording any curative instruments.

Seller's Costs associated with obtaining PSC approval of the sale.

Buyer will pay:

½ the closing charges of Midwest Title,
Charges for the title insurance policy,
Recording costs for documents transferring title.

Buyer's costs in providing testimony or assurances for Buyer in its application for approval by the Missouri PSC.

9. **BENEFIT.**

All of the terms of this agreement shall be binding upon, and inure to the benefit of, and be enforceable by Buyer and Seller and their successor and assigns.

10. **GOVERNING LAW.**

This agreement is being delivered and is intended to be performed in the State of Missouri, and shall be construed and enforced in accordance with the laws of such state.

11. **COUNTERPARTS.**

This agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

This agreement shall not be binding until executed by all parties.

12. **NO THIRD PARTY BENEFICIARIES.**

This Agreement shall not confer any rights or remedies upon any person other than the parties hereto and their respective heirs, successors and permitted assigns.

13. **ENTIRE AGREEMENT - INTEGRATION.**

This Agreement (including the Exhibits and documents incorporated therein) constitutes the entire agreement between the parties and supersedes any prior understandings, agreements or representations by or among the parties, written or oral, to the extent they have related in any way to the subject matter hereof.

14. **SUCCESSION AND ASSIGNMENT.**

This Agreement shall be binding upon and inure to the benefit of the parties named herein and their respective successors and permitted assigns. No party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of Buyer and Seller, said approval not to be unreasonably withheld.

15. **HEADINGS.**

The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

16. **NOTICES.**

All notices, requests, demands, claims and other communications hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given and effective five (5) business days after it is sent by registered or certified mail, return receipt requested, postage prepaid and addressed to the intended recipient as set forth below:

If to Buyer:

Wm. G. McCaffree
Attorney at Law
Special Counsel for the City of Lexington
McCaffree & Landoll
128½ W. Walnut
P.O. Box 244
Nevada, MO 64772

With copy to:

Jerry Brown, Mayor
City of Lexington, Missouri
City Hall
919 Franklin
Lexington, Missouri 64067

If to Seller:

Michael B. Hunter
Attorney at Law
Mulvihill & Hunter
4035 Central Street
Kansas City, MO 64111

Steven J. Schleicher
President, U.S. Water Company
8901 State Line Road, Suite 250
Kansas City, MO 64114

Any party may send any notice, request, demand, claim or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it is actually received by the intended recipient. Any party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other parties notice in the manner herein set forth.

17. **AMENDMENTS AND WAIVERS.**

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Buyer and Seller. No waiver by any party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

18. **SEVERABILITY.**

Any term or provision of this Agreement that is invalid or unenforceable in any situation

in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

19. **CONSTRUCTION.**

The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Terms set forth in Exhibits are to be considered a part of the contract.

20. **INCORPORATION OF EXHIBITS.**

Exhibits identified in this Agreement are incorporated herein by reference and made a part hereof.

21. **REPRESENTATIONS, COVENANTS AND WARRANTIES TO SURVIVE CLOSING.**

The representations covenants and warranties by Seller will survive closing.

22. **EMPLOYMENT.**

It is understood and agreed that the President, Steven J. Schleicher, Secretary, Jane Schleicher, and Bookkeeper, A. Merrigan, of U.S. Water Company, will be retained by U.S. Water Company and have declined to accept employment with the Buyer.

The following information in this paragraph 22 is not a condition of the agreement but memorializes the discussions between the parties. It will not be interpreted to create a right or a cause of action for any party to the agreement or to any third party or parties.

Employment with the City of Lexington is employment at will.

The City is informed and trusts that the members of Seller's Lexington, Missouri staff are

competent devoted persons whose services should be retained, and the City plans to offer employment to the Seller's permanent and part time employees working at the Lexington facility at the same rate of pay they currently enjoy. In addition there are additional benefit options provided to City employees including participation in the City's health coverage and retirement plans. Nevertheless, the City retains its management right to make needed decisions in the future and this recital of discussions and preliminary plans does not confer any rights or remedies upon any persons whomsoever, or vary the terms of employment offered by the City under Missouri's terminable at will doctrine. The City retains its management rights to determine its ability to continue or its need to release employees and its right to make appropriate adjustments in compensation and benefits.

To the extent required by law, the City plans to recognize the bargaining unit of the union representing Seller's employees and plans promptly upon conclusion of the acquisition or prior thereto, if feasible; to commence collective bargaining procedures to attempt to reach in good faith a collective bargaining agreement.

23. **INSPECTION, INDEPENDENT JUDGMENT, NONRELIANCE.** The assets to be acquired by the Buyer under this agreement, including land, improvements, fixtures, equipment, and any personal property, have been fully inspected by the Buyer and the Buyer relies entirely on its own assessment and independent judgment and that of its own experts of the condition, ages and all other matters concerning the quality, remaining useful life, present value, future value, production capabilities and suitability for the Buyer's intended use. Buyer does not rely on representations of Seller, oral or written, as an inducement to conclude this contract but has in due diligence conducted its own evaluations and relies on its own independent judgment. Seller has provided copies of all requested business and financial records and believes the

information provided to be correct; however these records were not audited. The Buyer has received all financial information and all inspections it requires, and relies on its own experts and financial personnel as to the advisability of acquiring the assets and the determination of an acceptable purchase price therefore. The parties acknowledge that the plant and transmission facilities are dated and that over time, substantial improvements and modernizations will be required.

24. **FACSIMILE SIGNATURES.** Although the parties agree to endeavor to obtain original signatures on all copies of this agreement, it is agreed that facsimile signatures are to have the full force and effect of an original.

25. **SUMMARY OF EXHIBITS:**

Exhibit A – List of real estate and list of easements.

Exhibit B – List of personal property inventoried March 31, 2010 to be conveyed to Buyer, including miscellaneous items of tools, equipment, and personal property not reserved to the Seller in Exhibit E.

Exhibit C - Assignment of income producing tower antenna leases subject to retention of 24 months payments, and Transfer of title to equipment which is presently subject to lease purchase agreements - terms and conditions thereof.

Exhibit D – List of inventory to be conveyed identified by cost and supported independently by inventory records maintained at the corporate office in two large catalogue card files itemized at actual cost quarterly

Exhibit E – List of assets (personal property) to be retained by Seller.

Exhibit F – Inventory of chemicals.

Exhibit G – Explanations of non-compliance from Missouri DNR and Notices of Violations which remain uncorrected.

Exhibit H – List of litigation or proceeding pending, or to the knowledge of the Seller, threatened, relating to the Seller, its operations, its properties, or the Water System, together with the grounds alleged or claimed a basis for any such action, and of any governmental investigation relative to the Seller, its properties, or the Water System.

IN WITNESS WHEREOF, the parties have duly executed this agreement as of the day and year first above written.

*This copy has
no seal
(SEAL)*

SELLER:

U.S. WATER COMPANY

By: *Steven A. Schleicher*
Steven A. Schleicher, President

ATTEST:

Jane B. Schleicher
Jane B. Schleicher, Secretary

BUYER:

CITY OF LEXINGTON, MISSOURI

By: *Jerry Brown*
Jerry Brown, Mayor

ATTEST:

Carla Ghisalberti
Carla Ghisalberti, City Clerk

ACKNOWLEDGEMENT

STATE OF MISSOURI)
)ss.
COUNTY OF JACKSON)

On this 25 day of June, 2010, before me appeared Steven J. Schleicher, to me personally known, who being by me duly sworn, did say that he is the President of U.S. Water Company, a Missouri Corporation, and that said instrument was signed and sealed in behalf of said corporation, by authority of its Board of Directors, and said Steven A. Schleicher, acknowledged said instrument to be the free act and deed of said corporation. Further affiant acknowledged that the corporate resolution approving this contract was duly adopted on 25 JUNE 2010, and is in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal, at my office in Jackson County, Missouri, the day and year first above written.

THOMAS J. ADDINGTON
NOTARY PUBLIC VERNON CO.
STATE OF MISSOURI
MY COMMISSION EXPIRES DECEMBER 18, 2012
COMMISSION # 08465229

Thomas J. Addington
Notary Public, State of Missouri

ACKNOWLEDGEMENT

STATE OF MISSOURI)
)ss.
COUNTY OF LAFAYETTE)

On this 29 day of June, 2010, before me appeared Jerry Brown, to me personally known, who being by me duly sworn, did say that he is the Mayor of City of Lexington, Missouri, and that the seal affixed to the foregoing Agreement is the official seal of said municipality, and that said instrument was signed and sealed in behalf of said municipality by authority of its City Council, and that he acknowledged said instrument to be the free act and deed of the city of Lexington, Missouri. Further Mayor Brown acknowledged that the city ordinance approving this contract is Ordinance Number 2010-21 dated 29 JUNE, 2010, which remains in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal, at my office in Lexington, Lafayette County, Missouri, the day and year first above written,

(SEAL)

THOMAS J. ADDINGTON
NOTARY PUBLIC VERNON CO.
STATE OF MISSOURI
MY COMMISSION EXPIRES DECEMBER 18, 2012
COMMISSION # 08465229

Thomas J. Addington
Notary Public, State of Missouri

EXHIBIT A
REAL ESTATE AND EASEMENTS

Note: Seller possesses a book in which it is cataloged interest in real estate and easements in which Seller has or may claim an interest. Seller will transfer all right, title, and interest in both the land and easements owned by Seller in Lafayette County, Missouri, to Buyer and provide a copy of said documentation to assist Buyer in preparation of appropriate conveyances. The Seller has certain railroad pipeline crossings, and draws it unfinished water from the Missouri river. Some rights may or may not be memorialized by a recorded instrument. Seller will provide reasonable conveyances of the apparent interests essential to its operations. Legal descriptions will be provided in the final conveyances as may be necessary. Fee interests in land must be marketable in fact.

Land and Leaseholds:

1. Plant site on Commerce Street, including all contiguous and non-contiguous property and its improvements located in the vicinity of the plant. These properties are more specifically described in a title commitment being provided by Seller.
2. River property consisting of 65 acres more or less. Seller will include all right, title, and interest of Seller now or formerly claimed by MO DOT for its improvements for Highway 13, which may now be abandoned and which interests are subject to a potential claim for location and maintenance of a high pressure gas line which formerly crossed the bridge on Highway 13, which has now been demolished. Including potentially the portion of the property associated with Highway 13 above.
(Note #1): The title to this property is currently in The Utility Group, Inc. Seller will arrange for conveyance of this asset to the City of Lexington, Missouri.)
(Note #2): The property is subject to a sharecrop agreement dated March 5, 2010, between The Utility Group, Inc. and Scott Slusher which will expire "March, 2011" Seller will obtain release of the property after removal of crops in the summer or fall of 2010. Seller will put Mr. Slusher in contact with the Buyer. Seller retains the right to landlord's share of the crop income for crop year ending March, 2011.
3. Warehouse on 10th Street, Lexington, Missouri.
(NOTE: The title to this property is currently in The Utility Group, Inc. Seller will arrange for conveyance of this asset to the City of Lexington, Missouri.)
4. Tower site of approximately 3 acres and Tower located near hospital on Wood Street.
5. The leasehold interest of seller on its business office at 1023 Franklin Street, Lexington, Missouri, requires rental to owners Fred and Colleen King of \$425 per month and expires September 30, 2010. Seller will convert the lease to month to month beginning September 30, 2010. The city will take possession of the premises at closing and will be responsible for month to month rentals following closing for any rental continuation it arranges with the owners. When the city concludes its

rental of the office, it will be remove its property including telemetry equipment from the premises and leave the premises in reasonably clean condition.

Waterlines, manholes, drainage lines, raw water lines, including easements and permits:

1. Lines and easements of Seller providing raw water intake between the Missouri River and Seller's production facility, together with a twenty-foot access road running parallel to the Missouri River and the existing raw water easements and lines and intake extending from the Missouri River to the water plant.
2. Lines and easements of Seller for all drainage lines, drainage ditches or drainage areas or lagoons.
3. Lines and all right, title, or interest of Seller in easements, license, or permits to cross railroad tracks of Union Pacific Railroad in Lafayette County, Missouri:
 - a. Line from basin #4 extending north to discharge.
 - b. Line from basin #3 extending north to discharge.
 - c.&d. Lines from basin #3 extending north then east to concrete basin, thence south to plant.
 - e. Line from basin #2 north to manhole #2, thence east to manhole #1.
 - f. Line from basin #1 north to manhole #1, thence north and easterly to discharge.
 - g. Line from plant north to discharge.
 - h. Large line from plant north to discharge.
 - i. Line from river intake to plant, which is composed of two 8" lines running side by side in northern sector and one 14" line to plant in southern sector.
4. Lines and all easements, whether recorded or unrecorded, written or gained by prescription for all raw and finished waterlines and distribution, as well as drainage systems, including all distribution and service lines.
5. All easements of the Seller permitting installation and maintenance of water meters and connections to customer's lines within an area of operation, including service lines between mains and meters.
6. Any and all permits or water rights of Seller to extract water from the Missouri river for service to the company's customers

EXHIBIT B
LIST OF PERSONAL PROPERTY INVENTORIED MARCH 31, 2010 TO BE
CONVEYED TO BUYER, INCLUDING
MISCELLANEOUS ITEMS OF TOOLS, EQUIPMENT, AND
PERSONAL PROPERTY NOT RESERVED TO THE SELLER IN EXHIBIT E.

The parties recognize that certain items may be consumed by use between date of contract and date of closing.

ITEM NO.	DESCRIPTION OF ITEM	QTY
	Coal/Cold Room:	
1	Pitchfork	1
2	Pothole digger	1
3	48" Pipe wrench	1
4	36" Pipe wrench	1
5	Come-Along (Ratchet)	2
6	Post drivers	1
7	Come-Along	2
8	Hand siphon pump	1
9	Fluorescent utility light	1
10	Misc. log chains	8
11	CI hydraulic pipe cutter	1
12	Ratchet chain hoist	1
13	Hand chain hoist	1
14	½" Ton cable	1
15	Grip hoist	1
16	Nylon tow straps	2
17	20" Lawnboy push mower	1
18	Weed sprayer	1
19	Stihl chainsaw	1
20	Stihl weed eater	1
21	Dolly	2
22	Coleman generator	1
23	4" pump (trash)	1
24	Floor jack	1
25	Portable air tank	1
26	Gas cans	9
27	Propane torch	1
28	Chlorine scales	3
	Backroom:	
29	Floor waxer w/attachments	1
30	6" x 50' Discharge hoses	7
31	Oil pans	3
32	2 ½ x 50 Fire hoses	15
33	Welding mask	1
34	24' Extension ladder	1

35	16' Ladder	1
36	14' Ladder	1
37	Ammonia emergency repair kit	1
38	Welding hammer	1
39	Wire brushes	3
40	2" Fire hose nozzles	3
41	Lincoln welder	1
42	4" x 50' Discharge hose	2
43	Chlorine repair kit	1
44	4" x 20' Suction hose	2
45	6" x 20' Suction hose	2
	Backroom and on Trucks:	
46	3 Wheel pipe cutter	1
47	½ " thru 1" Pipe threader	1
48	1" thru 2" Pipe threader	1
49	Spanner wrenches	4
50	Vice grips	8
51	Expansion wrenches	4
52	Pliers	7
53	Copper cutters	5
54	New wrench set	4
55	Set Flaring tools	1
56	½" - 5/16" Socket and wrench set	1
57	Wire brushes	3
58	Files	8
59	Hydrant wrencher	4
60	24" Pipe wrench	3
61	¾ x 7/8 Racket wrench	1
62	1 1/16 x 1 ¼ Ratchet wrench	2
	Other items on Trucks:	
63	14" Pipe wrenches	4
64	10" Pipe wrenches	4
65	Crescent wrenches	6
66	Hack saws	2
67	¾ x 1 5/16 Set open box wrenches	1
68	Pick	1
69	Spades	2
70	Flat shovels	2
71	Round nose shovels	5
72	Rakes	2
73	Street brooms	2
74	Valve keys	6
75	Curb box keys	4
76	Probe rods	2
77	Meter shut off keys	3

78	Copper crimper	1
79	Valve box locator	1
80	100' Tape	1
81	Ear phones	2
82	2 Ton jack	1
83	12# Sledge hammer	1
84	3" Sledge hammer	2
85	Set pruners	1
86	Axe	1
87	2' Level	1
88	Wheel cutter 4 wheel	1
89	Bolt cutter	1
90	Set metric SAE Blackhawk open end box wrenches	1
91	Jumper cables	2
92	Sets Slotted screwdrivers	3
93	Sets Phillips screwdrivers	3
94	Traffic cones	5
95	Barricades	5
96	Stop /Go signs	2
97	Traffic signs/stands	6
98	Hayes tapping machine	1
99	Mueller tapping machine	1
100	Alas Copco air compressor	1
101	Air tamper	1
102	Air drill	1
103	Air jack hammer	1
104	Meter helmet keys	6
105	3" Mole	1
106	Leax detector	1
107	Lime tracer	1
108	Rolatape	1
109	5 Gallon water jug	1
110	20# Ice maker	1
111	Meter testing bench	1
112	Underwater sign tube meter reading	1
113	Air compressor 3/4" x 50'	3
114	50' Extension cords	4
115	9" Hand grinder	1
116	1/2" Drills	2
	Garage:	
117	Asst. funnels	7
118	Grease guns	5
119	NAPA Model 85-810 battery charger	1
120	Oil filter grippers	3

121	Oil spouts	2
122	Vise	1
123	Silicone gun	1
124	Bench grinder	1
125	Craftsman "double" bench grinder	1
126	K-T Industries drill press	1
127	Jeep pressure pump	1
128	Jaever 6" trash pump	1
129	Honda 2" ditch pump	1
130	Homelite 2" ditch pump	1
131	Speedaire "fixed" air compressor	1
132	Speedaire portable air compressor	1
133	Lesco 48" lawn mower RETAINED	1
134	Stihl pipe saw	1
135	Circular saw	1
136	Oxyacetaline torch	1
137	6" "Louisville" step ladder	1
138	Snow shovel	1
139	Sump pumps	5
140	2" x 12' Suction hoses	2
141	Wheelbarrow	1
142	5" x 10' Suction hoses	1
143	100' Welding cables	2
	Ferric Room:	
144	Putty knives	3
145	Flat trowels	3
146	Box knives	2
147	Antifreeze tester	1
148	Battery cell tester	1
149	Bolt & nut gauge	1
150	Eklind torx set	1
151	Partial EZ out set	1
152	Asst. packing pullers	10
153	NAPA Chain saw files	3
154	Asst. drill bits	30
155	Center punches	2
156	Chisels	6
157	Set 1/8" - 1" memory bits	1
158	Masonry bits	8
159	Paint scraper	1
160	Pelouze postal scales 0-5# 0-50#	2
161	Dayton shop vac	1
162	12 Drawer Craftsman steel tool chest	1
163	Tin snips	1
164	Wire cutter	1

165	Wire stripper	1
166	14 pc Box wrench set	1
167	30 pc "Evercraft" socket set	1
168	8 pc mm Sockets 1/4" drive	1
169	8 pc 3/8" Air impact drive socket set	1
170	23 pc Socket set 1/4"	1
171	10 pc Socket set air impact deep well	1
172	18" Pipe wrenches	2
173	Large ball peen hammer	1
174	Small ball peen hammer	1
175	Claw hammer	1
176	Snap ring plier set	1
177	Weller apex soldering gun	1
178	Ingessol 3/8 air ratchet wrench	1
179	12 pc NAPA drill bit set	1
180	13 pc NAPA drill bit set	2
181	29 pc NAPA drill bit set	1
182	8 pc Drill bit set	1
183	Wheel puller	1
184	1/2 impact wrench	1
185	Merrick model 24-05 volumetric lime feeder	1
186	SCBA kits - 1 single tank & harness, 1 single tank & harness w/extra tank	2
187	50 hp "Holloshaft" HS Pump (#1)	1
188	40 hp "General Electric" HS pump (#2)	1
189	50 hp "General Electric" HS pump (#3)	1
190	"Continental" natural gas motor (for #2 HS)	1
191	6 Cell jar tester	1
192	"Wallaces Tellnand" pedestal ammonia feeder (not in service)	1
193	"Squire Cogwell" vacuum pump (#2)	1
	Office at Plant:	
194	Kenmore refrigerator 4.4 cf	1
195	Maglite D batteries	3
196	AWS volt/ohm/amp meter	1
197	Sperry volt/ohm/amp meter	1
198	Small circuit tester	1
199	Fuse pullers	2
200	25' Tapes	4
201	AC hand tacometer	1
202	Bene o meter propane torch	1
203	Squeegy	1
204	OAAUS triplebeam scale	1

205	Maglite AA Batteries	3
206	Astro 20 amp power supply	1
207	Regency FM transceiver	1
208	Kenmore stove	1
209	Hach sension PW tester	1
210	21 DOP turb. Analyzer	1
211	Cl ₂ test kit	2
212	+ Free ammonia test kit	1
213	Fisher mag stirrer	1
214	Lakewood box fans	2
215	Aloha space heater	1
216	All American pressure cooker sterilizer	1
217	Lab glassware	#
	Office:	
218	"Ativa" 12 digit calculator	1
219	HP 1040 fax RETAINED	1
220	Epson printer	1
221	Dell screen	1
222	Dell keyboard	1
223	Tower	1
224	GE telephone w/message	1
225	Safe "Schwab" RETAINED	1
226	Safe RETAINED	1
227	2 drawer desk w/attached 3 drawer L	1
228	Desk 7 drawer	1
229	File cabinets	5
230	Wood storage table 5 drawer 1 door RETAINED	1
231	6 Drawer wood credenza RETAINED	1
232	6 Drawer wood desk	1
233	Office prof. Chairs	2
234	"Bill Burster"	1
235	Oak library table RETAINED	1
236	"Silver" typewriter	1
237	33 drawer file cabinets	1
238	All telemetry equipment and radios	?
	Miscellaneous Items Identified by Staff in office building:	
239	Pipe	All
240	Valves	All
241	Brass	All
242	Hydrants	All
243	Fittings	All
244	Meter testing apparatus	All
245	All equipment and supplies in basement	All

246	Meter records, cards and inventory	All
247	Tap Books - 4	All
248	Valve Books - Original Mylar	All
249	Platts & system drawings paper and mylar	All
250	Meter Reading books - present & past	All
251	Work order books - present and past	All
252	All equipment and fixtures of Seller located in office building	All
253	Two way radio system and all sets	All
254	Front Counter RETAINED	All
255	Telemetry and all apparatus including tower elevation chart on wall in lobby	All
256	All items of personal property located At the plant and warehouse not specifically reserved to Seller.	All

EXHIBIT C

ASSIGNMENT OF INCOME PRODUCING TOWER ANTENNA LEASES SUBJECT TO RETENTION OF 24 MONTHS PAYMENTS, AND

TRANSFER OF TITLE TO EQUIPMENT WHICH IS PRESENTLY SUBJECT TO LEASE PURCHASE AGREEMENTS - TERMS AND CONDITIONS THEREOF.

1. Income Producing Antenna Leases. The elevated storage tower of Seller is subject to an antennae and signs master lease granted by U.S. Water Company to Alliance Financial Corp., formerly known as U.S. Utilities Management and Service, Inc. This lease permits tower use for fifteen years from its original date of May 1, 1995, including automatic extension of ten years unless termination of notice is provided. A copy of the Master Lease Agreement, as finally amended, is attached hereto and incorporated herein by reference. This Master Lease Agreement will be terminated effective upon closing, to the end that Buyer acquires all the rights of U.S. Water Company, U.S. Utilities Management and Service, Inc., and Alliance Financial Corp, however the tower site and tower will continue to be subject to the lease of T-Mobile and Mobile Phone (aka Mobilfone), and the city of Lexington will be following closing will be entitled to all payments from T-Mobile and Mobil phone (aka Mobilfone) EXCEPT THAT:
 - a. Seller will arrange for the lease from Alliance Financial to T-Mobile, a copy of which is attached hereto and incorporated herein by reference to be assigned to Buyer, except that Seller or its nominee will retain the right to receive the next ensuing 24 months lease payments when paid following closing. The lease payments are \$1,412 per month to 12/31/2010 and thereafter \$1,642 per month. The parties hereto agree to sign such further assurances as may be necessary to fully effect this provision.
 - b. Seller will arrange for the lease from Alliance Financial to Mobile Phone , a copy of which is attached hereto and incorporated herein by reference, to be assigned to Buyer, except that Seller or its nominee will retain the right to receive the next ensuing 24 months lease payments when paid as paid following closing. This lease presently extends to April 30, 2011, and currently pays \$525 monthly. The parties hereto agree to sign such further assurances as may be necessary to fully effect this provision.
 - c. Buyer will be obligated to recognize and honor the interests of T-Mobile and Mobile Phone, (aka Mobilfone) including the ground lease of T-Mobile. This provision will survive the closing.
2. Equipment Leases 1. A backhoe used exclusively by the Seller is owned by a third party. The seller has a lease agreement under which it can acquire the backhoe. Seller has determined that it can on an acceptable basis conclude the lease and acquire title and will do so to the end that it will deliver good title to the

backhoe to Buyer at closing free and clear of encumbrances whatsoever. The backhoe is a 2000 Case 580L backhoe, Serial #JJG0304624.

3. **Equipment Lease 2.** Three trucks and two pieces of equipment are owned by a third party. The seller has a lease agreement under which it can acquire the items of property. Seller has determined that it can on an acceptable basis conclude the lease and acquire title and will do so to the end that it will deliver good title to the equipment to Buyer at closing free and clear of encumbrances whatsoever. The equipment is as follows:

2003 Ford F-150 truck, VIN#1FTHF17L93NA39857

2002 Chevrolet Silverado truck, VIN #1GCEK14T02Z187698

1992 Ford Dump Truck, VIN #2FDKF37HXNCA62974

Yager GLT pump with Ford F-300 engine,

Serial #15320 E19RB CSG 64916006 & 6007 2A

2004 DSL 80-185 air compressor, Serial #USA010266

EXHIBIT D
LIST OF INVENTORY TO BE CONVEYED IDENTIFIED BY COST AND
SUPPORTED INDEPENDENTLY BY INVENTORY RECORDS
MAINTAINED AT THE CORPORATE OFFICE IN TWO LARGE
CATALOGUE CARD FILES
ITEMIZED AT ACTUAL COST QUARTERLY

See detailed books at corporate office
for details and actual inventories.

Historical Total of quarterly inventories and
present inventory (06/30/10) are as follows:

10/31/09 (Quarterly)	\$34,355.50
12/31/09 (Quarterly)	33,497.11
03/31/10 (Quarterly)	33,798.79
05/31/10 (Quarterly)	35,238.83
(two months only)	
06/30/10 (Quarterly)	_____ *
Current estimate	34,000.00

* To be provided at close of quarterly inventory 06/30/10.

**EXHIBIT E – LIST OF ASSETS (PERSONAL PROPERTY)
TO BE RETAINED BY SELLER**

1. Oak Table in conference room at office, item 235 on the inventory.
2. Two steamboat prints in conference room at office. (not listed on the inventory)
3. Drafting table with drawers in reception room at office, item 230 on the inventory.
4. Nine foot long (approximately) credenza on east wall of middle office at company office, item 231 on the inventory.
5. Hewlett Packard 1040 fax machine in reception room at Office, item 219 on the inventory.
6. HP M1522 Copier in office. (not listed on the inventory)
7. Front Counter at Office, item 254 on the inventory.
8. 8 wall hangings including photos in the reception room at the office. (not listed on the inventory)
9. Lesco 48" self propelled walk behind mower at the plant, item 133 on the inventory.
10. Safe "Schwab", item 225 on the inventory
11. Safe, item 226 on the inventory.

Note: Items retained by the Seller will be removed from the office or plant at the time of closing. If the safes retained by Seller are to remain in the Office following closing, Seller will make that arrangement with the Landlord prior to closing.

EXHIBIT F – INVENTORY OF CHEMICALS

1. Lime in bulk: 15,500#
2. Lime in bags: 6,500#
3. Ferric Sulfate: 1,700#
4. Chlorine: 600#
5. Ammonia Sulfate: 350#
6. Other:
 - Carbon: 100#
 - Aluminum sulfate: 200#
 - Copper sulfate: 100#

EXHIBIT G
EXPLANATIONS OF NON-COMPLIANCE
FROM MISSOURI DNR AND NOTICES OF VIOLATIONS
WHICH REMAIN UNCORRECTED

1. MO DNR Notice of Violation KCR2010012009173342, dated January 25, 2010, and related DNR documents, copies of which is attached hereto and incorporated herein by reference, (13 pages) address features as set forth in said documents.

Proposed Solutions by U.S. Water currently are being developed for U.S. Water by Gary Cunningham, P.E., of the Shafer, Kline & Warren Engineering firm of Columbia, Missouri and will be provided to Buyer as set forth in paragraph 5H of the contract.

Seller will authorize and direct Shaffer, Kline & Warren to communicate directly with Buyer to provide all reasonable information and opinions regarding remediation, as well as status of communications with MO DNR, as set forth in paragraph 5H of the contract.

2. MoDNR Notice of Violation KCR2008121509123312, dated December 15, 2008, and related DNR documents, copies of which are attached hereto and incorporated herein by reference, (13 pages) address features as set forth in said documents.

Proposed Solutions by U.S. Water currently are being developed for U.S. Water by Gary Cunningham, P.E., of the Shafer, Kline & Warren Engineering firm of Columbia, Missouri and will be provided to Buyer as set forth in paragraph 5H of the contract.

Seller will authorize and direct Shaffer, Kline & Warren to communicate directly with Buyer to provide all reasonable information and opinions regarding remediation, as well as status of communications with MO DNR, as set forth in paragraph 5H of the contract.

3. Seller warrants that it has no knowledge of or notice of any other uncorrected regulatory violations, which have occurred or continued during the past three years.
4. Seller will complete and pay prior to closing all costs associated with completion of improvements needed to correct these alleged violations, and provide verification by MoDNR of the same all as set forth in paragraph 5H of the contract.

MISSOURI DEPARTMENT OF NATURAL RESOURCES
NOTICE OF VIOLATION

TRACKING NUMBER

KCR2010012 071723-41

DATE ISSUED 07-20-2010		TIME ISSUED		REGION/PROGRAM Kansas City Regional Office (KCRO)	
SOURCE (NAME, ADDRESS, PERMIT NUMBER, LOCATION) US Water Company - Lexington River Front & Commerce St MO-G640152					
MAILING ADDRESS 8901 Stateline Road Suite 250			CITY Kansas City		STATE MO
NAME OF OWNER OR MANAGER U S Water Co			TITLE OF OWNER OR MANAGER		ZIP CODE 64114
			COUNTY Lafayette		
LAW, REGULATION OR PERMIT VIOLATED Missouri Clean Water Law Section 644.051.1 (3) and 644.076.1, RSMo 10 CSR 20-6.010 (8)(A)					
NATURE OF VIOLATION Failure to comply with the effluent limits contained in Part "A" of Missouri State Operating Permit (MSOP) number MO-G640152					
DATE(S):			TIME(S):		
SIGNATURE (PERSON RECEIVING NOTICE)			SIGNATURE (PERSON ISSUING NOTICE)		
TITLE OR POSITION			TITLE OR POSITION WP Permits Unit Chief		

ADDENDUM

SECTIONAL DATA	
UTM EASTING	UTM NORTHING
HORIZONTAL COLLECTION METHOD	ESTIMATED POSITION ERROR OR FDOF
REFERENCE POINT	COORDINATE DATA SOURCE
ADDITIONAL COMMENTS	

IMAGE 1

IMAGE 2

STATE OF MISSOURI
DEPARTMENT OF NATURAL RESOURCES

Jeremiah W. (Jay) Nann, Governor • Mark N. Templeton, Director

www.dnr.mo.gov

SEP 17 2009

U S Water Company
8901 Stateline Road, Suite 250
Kansas City, MO 64114

LETTER OF WARNING

Dear Permittee:

After review of your Discharge Monitoring Report(s) (DMR), it has come to our attention that the effluent limitations in your Missouri State Operating Permit (MSOP) have been exceeded. The effluent limitations established in your permit and the values reported in your discharge monitoring report for month of 2nd Quarter / 2009 are as follows:

Outfall	Date Sampled	Parameter	Permit Limitations	Reported Values
001	5/7/2009	pH	6.0-9.5	9.8
001	5/7/2009	SS	1 mL/L/hr AVG-MAX	2 mL/L/hr

*Significant Exceedance

Exceeding this/these limitation(s) is a violation of the Missouri Department of Natural Resources Regulation 10 CSR 20-7.015 "Effluent Regulations" and MSOP permit conditions. You are encouraged to take appropriate steps to eliminate this/these violation(s).

Please submit the a letter explaining the reasons for the violations and the corrective actions you have taken within October 5, 2009 from receipt of this letter to the following address:

Missouri Department of Natural Resources
Kansas City Regional Office
500 Northeast Colbern Road
Lee's Summit, Missouri 64086-4710
Attn: Adria Palmer

Or you may fax to (816) 622-7044.

It is our hope that through conference, conciliation and persuasion, violations can be corrected. We ask for your urgent cooperation. Thank you.

Sincerely,

KANSAS CITY REGIONAL OFFICE

Sunny Wellesley

Sunny Wellesley
Unit Chief

SSW/apv

Enclosures

L:\WATER POLLUTION\ALP\Monthly Letters\LOW Exceedances No NOV\Complete\kern_spx_jun09_090910_esc.doc

6-30, 09

MO. 6640153

GREENT 744001P5000

U.S. WATER
RIVER FRONT AT
LEXINGTON, MD
64067

U S WATER CO

[illegible]

US Water Co - Lexington
Lafayette County
MOG640152

STATE OF MISSOURI
DEPARTMENT OF NATURAL RESOURCES

Jeremiah W. (Jay) Nixon, Governor • Mark N. Templeton, Director

www.dnr.mo.gov

NOV 03 2009

US Water Company
8901 Stateline Road, Suite 250
Kansas City, MO 64114

RECEIVED
NOV 5 2009

LETTER OF WARNING

Dear Permittee:

After review of your Discharge Monitoring Report(s) (DMR), it has come to our attention that the effluent limitations in your Missouri State Operating Permit (MSOP) have been exceeded. The effluent limitations established in your permit and the values reported in your discharge monitoring report for month of 3rd Quarter / 2009 are as follows:

Outfall	Date Sampled	Parameter	Permit Limitations	Reported Values
001	9/15/2009	SS	1 mL/L/hr AVG - MAX	1.5 mL/L/hr

*Significant Exceedance (Y/N)

Exceeding this/these limitation(s) is a violation of the Missouri Department of Natural Resources Regulation 10 CSR 20-7.015 "Effluent Regulations" and MSOP permit conditions. You are encouraged to take appropriate steps to eliminate this/these violation(s).

Please submit the a letter explaining the reasons for the violations and the corrective actions you have taken within November 23, 2009 from receipt of this letter to the following address:

Missouri Department of Natural Resources
Kansas City Regional Office
500 Northeast Colbern Road
Lee's Summit, Missouri 64086-4710
Attn: Adria Palmer

You may also fax to (816) 622-7044 or email to adria.palmer@dnr.mo.gov. If you fax or email make sure you send a hard copy to the address above.

It is our hope that through conference, conciliation and persuasion, violations can be corrected. We ask for your urgent cooperation. Thank you.

Sincerely,

KANSAS CITY REGIONAL OFFICE

Sunny Wellesley

Sunny Wellesley
Unit Chief

SSW/apv

Enclosures



L:\WATER POLLUTION\ALP\Monthly Letters\LOW Exceedances No NOV\kcrs_jmg09_091021_ext.doc

Exhibit G Attachment
Page 5

MISSOURI DEPARTMENT OF NATURAL RESOURCES
DIVISION OF ENVIRONMENTAL QUALITY WATER POLLUTION CONTROL PROGRAM
DISCHARGE MONITORING REPORT FOR STORM WATER AND WASTE WATER DISCHARGES UNDER GENERAL PERMIT

[illegible]

U. S. WATER COMPANY

8901 STATE LINE ROAD, SUITE 250

KANSAS CITY, MO 64114-3291

TELEPHONE: (816) 381-0082

FAX: (816) 383-8291

November 23, 2009

DEC 2 2009

Adria Palmer, Technical Assistant
Missouri Department of Natural Resources
500 NE Colbern Road
Lees Summit, MO 64086-4710

Re: *Warning*

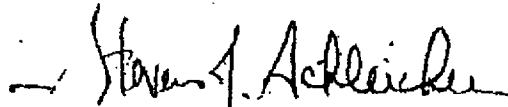
Dear Adria:

We are in receipt of your letter concerning 2009 effluent limitations. We renew our request for assistance from MDNR as to methods we might employ to address the minor fluctuations which occur at our treatment plant.

We have previously written to you about the unique situation that exists at our water treatment plant, including certain limitations. We continue to try to seek changes and improve the quality of our treated water and welcome your input. Perhaps there may be other utilities who are encountering similar issues.

If you would like to discuss matters with our plant operators, call our office in Lexington, MO at (660) 259-2912. Thanks for your assistance and understanding. We too wish to resolve matters through conference and other constructive means.

Sincerely,



Steven J. Schleicher
President

Exhibit G Attachment
Page 7

US Water Co. - Lexington
Lafayette County
MO-G640152

Jeremiah W. (Jay) Nixon, Governor
Joseph P. Bindbeutel, Acting Director

STATE OF MISSOURI
DEPARTMENT OF NATURAL RESOURCES

www.dnr.mo.gov

RECEIVED

MAR 3 - 2009

CERTIFIED MAIL # 91 7108 2133 3935 6747 6542
RETURN RECEIPT REQUESTED

MAR 01 2009

Mr. Steven J. Schleicher
President, US Water, Lexington
1023 Franklin Street
P.O. Box 56
Lexington, MO 64067

Dear Mr. Schleicher:

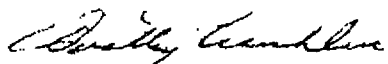
On December 8, 2008, Leonard Johnson from the Missouri Department of Natural Resources, Kansas City Regional Office, conducted a routine inspection of the U.S. Water, Lexington Water Treatment Plant. The purpose of the inspection was to assess compliance with the Missouri Clean Water Law, Missouri Clean Water Commission regulations, and the facility's Missouri State Operating Permit.

Enclosed you will find an inspection report and Notice of Violation #KCR09123312 for the wastewater treatment facility serving the US Water Facility that treats drinking water for the city of Lexington. The Notice of Violation is being issued to formally notify you of violations of the Missouri Clean Water Law and associated regulations. Steps must be taken to correct any deficiencies noted in the report. A written response is required by the facility by April 1, 2009, of receipt of this letter.

If you should have any questions concerning the report or if we can be of any assistance, please feel free to contact Leonard Johnson of this office at (816) 622-7017 or at 500 Northeast Colbern Road, Lee's Summit, Missouri 64086-4710. The department appreciates your cooperation. Thank you.

Sincerely,

KANSAS CITY REGIONAL OFFICE



Dorothy Franklin
Environmental Manager

DEF/ljv

Enclosures

c: Mr. Dan Daugherty, Kansas City Regional Office, Public Drinking Water Program
Mr. Richard Sanders, Section Chief, Water Pollution Control Program

M:\WPCLafayette\US Water\640152_081215_INS.doc

Exhibit G Attachment
Page 8

INSPECTION REPORT
WASTEWATER TREATMENT FACILITY (WTP)
US WATER COMPANY
SERVING
THE CITY OF LEXINGTON
MO-G640152

INTRODUCTION

On December 8, 2008, Leonard Johnson, from the Kansas City Regional Office of the Missouri Department of Natural Resources, conducted a routine inspection for the wastewater treatment facility serving the U S Water Facility, the drinking water plant owned by the Utility Group, Inc. located at Lexington, Missouri. The purpose of the inspection was to assess compliance with the Missouri Clean Water Law, Missouri Clean Water Commission (MCWC) regulations, and the facility's Missouri State Operating Permit (MSOP); and conducted with the authority granted to the department by the Missouri Clean Water Commission [644.026.1 (21) RSMo]. The inspection also served to promote proper operation and to provide technical assistance where necessary.

PARTICIPANTS

Missouri Department of Natural Resources:

Leonard Johnson, Water Specialist; Kansas City Regional Office

US Water:

Mr. John Luehrs, US Water-Lexington, Missouri

Mr. Ira Rice, US Water-Lexington, Missouri

FACILITY DESCRIPTION

The US Water facility is a privately owned drinking water plant that serves the city of Lexington located in Lafayette County. The MSOP covers the plant discharge of treatment sludges and filter backwash water.

COMPLIANCE HISTORY

The Missouri State Operating Permit (MSOP) MO-G640152 requires that a grab sample of any discharge from the facility's designated outfalls be collected and analyzed at least once per year. The permit requires that all such discharges contain not more than 1.0 ml/l/hr of settleable solids and have a pH between 6.0 and 9.5 with total residual chlorine of less than 1.0 mg/l. A review of the facility's file indicates that the monitoring records that have been submitted to the department since the last general permit was reissued on March 10, 2006, are over the permitted limits for Settleable Solids and Total Residual Chlorine.

Report Date	Parameter	Reported value	Permit limit
9/4/2008	CLTRC	2.01 mg/L	1 mg/L avg-max
9/4/2008	SS	2.3 ml/L	1 ml/L
9/13/2007	CLTRC	1.99 mg/L	1 mg/L avg-max
9/13/2007	SS	2.0 ml/L	1 ml/L

OBSERVATIONS

1. Since the previous inspection of July 10, 2003, the toilet for the facility has been abandoned and a Porto potty has been brought in to service the facility and is still in use.

RECOMMENDATIONS

None

UNSATISFACTORY FEATURES

1. It has been determined that the US Water Facility does not treat the filter backwash or basin blow-down wastewater before it is discharged to waters of the state. This is a violation of the MSOP and the Missouri Clean Water Law and Missouri Clean Water Commission Regulations. Cited sections, Section 644.051.1(1) and 644.076.1, RSMo and Section A. of your MSOP.
2. This facility does not have a properly constructed treatment facility for the removal of the chemical constituents produced by the water plant as a byproduct in the production of potable water. The current facility consists of a drainage ditch with no level controls or discharge structure. The drainage ditch that is used for the plant discharge is considered waters of the state. Cited sections, Section 644.076.1, RSMo, and 10 CSR 20-7.015(9)(G).
3. Disposal of sludge from the ditch is not in conformance with the Missouri State Operating Permit Standard Conditions III for proper holding, removal, testing or land application of sludge. Cited sections, Section 644.051.1(1) and 644.076.1, RSMo.
4. The submitted application for the MO-G64 permit states on line 7.90 that public sewers operated by the city of Lexington handle your domestic wastewater. This statement is false for the US Water facility. The US Water Company discharges the domestic wastewater, without treatment into the same drainage ditch that receives the process wastewater from the production of potable water.
5. The wastewater that is being collected for analysis at outfalls 001, 002, and 004 are being collected from within potable water treatment basins, not a discharge point or outfall.

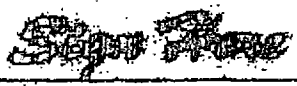

REQUIRED ACTIONS

1. Backwash water is being directly discharged to waters of the state without treatment. All backwash water and basin wastewater must be treated to adjust pH, remove settleable solids and total residual chlorine to levels prescribed in the MSOP. This outfall must also be designated on your permit as are the other three in item #2. No samples from this outfall have ever been included as a part of the facility's discharge monitoring reports (DMRs). All outfalls should be combined and be piped to one constructed treatment basin, where the wastewater can be stored and treated for release to waters of the state within the prescribed parameters. All tests would then be performed on treated wastewater at the single discharge point for all of the plant's process wastewater. Discharge of the sludge to waters of the state is never acceptable. The permit only allows for the discharge of the treated water. Sludge must be disposed of by appropriate land application.
2. In order to comply with the State laws and regulations, the facility will need to design and construct a treatment basin that will allow the settleable solids to be removed from the wastewater before it is discharged to waters of the state. State law and regulation requires a professional engineer, registered in the state of Missouri, design the system and submit the plans and specifications to the department with the seal of professional registry affixed along with the appropriate application for construction and the associated fees for that application.

MISSOURI DEPARTMENT OF NATURAL RESOURCES
NOTICE OF VIOLATION

TRACKING NUMBER

20081215

DATE ISSUED 12-15-2008		TIME ISSUED 9:10 AM		REGION/PROGRAM Kansas City Regional Office (KCRO)	
SOURCE (NAME, ADDRESS, PERMIT NUMBER, LOCATION) US Water Company-Lexington					
River Front and Commerce St.					
MO-G640152					
Lexington MO					
MAILING ADDRESS 1023 Franklin St. P.O. Box 56			CITY Lexington		STATE MO
					ZIP CODE 64067
NAME OF OWNER OR MANAGER Steven J. Schleicher			TITLE OF OWNER OR MANAGER President		COUNTY Lafayette
LAW, REGULATION OR PERMIT VIOLATED Violated NPDES Permit , Missouri State Operating Permit , Missouri Clean Water Law , Missouri Clean Water Commission Regulations					
Sections 644.051.1(1) and 644.076.1, RSMo.					
Section 644.076.1, RSMo, and 10 CSR 20-7.015(9)(G).					
NATURE OF VIOLATION			DATE(S):		TIME(S):
1. US Water Co. - Lexington caused pollution of the Missouri			06-13-2003		8:00:00 AM
River waters of the state, or placed or caused or permitted to be placed			12-15-2008		5:00:00 PM
(a) water contaminant(s) in a location(s) where (it/they) (is/are) reasonably to cause pollution of waters of the state.					
2. US Water Co. - Lexington failed to comply with the applicable control technology for industrial, agricultural and other non-domestic water contaminant sources and point sources.					
SIGNATURE (PERSON RECEIVING NOTICE)			SIGNATURE (PERSON ISSUING NOTICE)		
					
TITLE OR POSITION President US Water Company			TITLE OR POSITION Water Specialist		

LOCATIONAL DATA

UTM EASTING	UTM NORTHING
HORIZONTAL COLLECTION METHOD	ESTIMATED POSITION ERROR OR PDOP
REFERENCE POINT	COORDINATE DATA SOURCE

ADDITIONAL COMMENTS

Picture #1 is of ditch that receives the filter backwash and treatment basin discharges. Ditch is on the north side of the railroad tracks and runs north until it empties into the Missouri River.

Picture #2 is of the ditch that receives the sink and floor drain discharges. Ditch is on the north side of River Front street running east and west which ties into the drainage ditch that empties into the Missouri River.

Picture #1
River Front & Commerce Streets
December 8th 2008
Leonard Johnson
Looking North to Northwest towards the

Picture #2
River Front & Commerce Streets
December 8th 2008
Leonard Johnson
Looking South towards the water plant

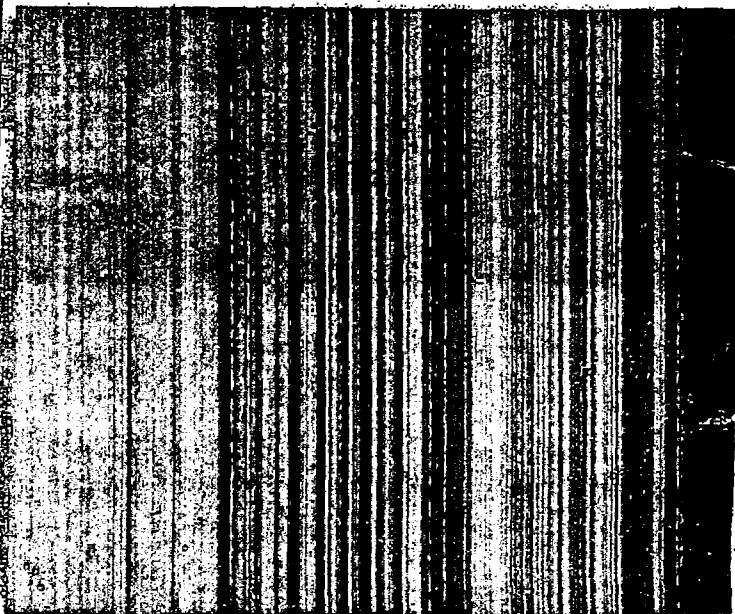
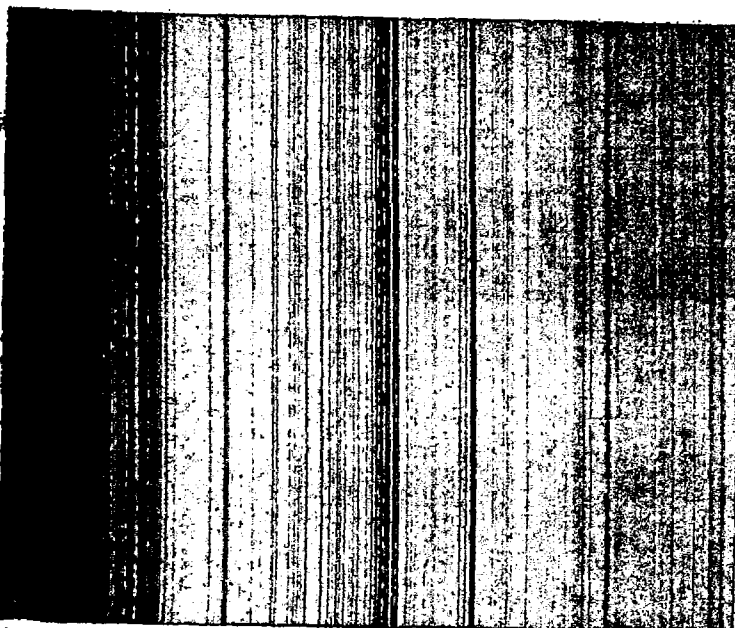


EXHIBIT H
LIST OF LITIGATION OR PROCEEDING PENDING, OR TO THE KNOWLEDGE OF
THE SELLER, THREATENED, RELATING TO THE SELLER, ITS OPERATIONS,
ITS PROPERTIES, OR THE WATER SYSTEM, TOGETHER WITH THE GROUNDS
ALLEGED OR CLAIMED A BASIS FOR ANY SUCH ACTION, AND OF ANY
GOVERNMENTAL INVESTIGATION RELATIVE TO THE SELLER, ITS
PROPERTIES, OR THE WATER SYSTEM.

NONE.