

TAX EXEMPTION AGREEMENT

Dated December 14, 2006

By the City of Republic, Missouri

In connection with

\$11,175,000

**Lease-Purchase Agreement
Dated as of December 14, 2006**

Between the

**Missouri Association of Municipal Utilities, as lessor
and the**

City of Republic, Missouri, as lessee

and

\$50,000,000

**Missouri Development Finance Board
Commercial Paper Lease Revenue Notes
(Missouri Association of Municipal Utilities Lease Program)
Series 2006A**

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TAX EXEMPTION AGREEMENT

The undersigned is a duly qualified officer of the governmental unit appearing on the cover page hereof (the "Lessee") and is charged, with others, with the responsibility for executing and delivering the obligation described on the cover page of this Tax Exemption Agreement (the "Lessee Tax Exemption Agreement") on the date hereof.

One purpose of executing this Lessee Tax Exemption Agreement is to set forth various facts regarding the Lease and to establish the expectations of the Lessee as to future events regarding the Lease and the use of Lease Proceeds. The certifications, covenants and representations contained herein are made on behalf of the Lessee for the benefit of the Issuer, the Trustee and the owners from time to time of the Notes. In providing the certifications, covenants and representations contained herein, the Lessee acknowledges that it has covenanted not to take or permit, or omit to take or cause to be taken, any action that would adversely affect the exclusion of any interest on the Notes from gross income for federal income tax purposes and, if it should take or permit, or omit to take or cause to be taken, any such action, the Lessee will take or causes to be taken all lawful actions within its power necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof.

ARTICLE I

DEFINITIONS

Certain terms are defined in **Article I** herein. Terms used herein and not defined in **Article I** shall have the meanings given to them in the Tax Regulatory Agreement among the Missouri Development Finance Board (the "Issuer"), the Missouri Association of Municipal Utilities (the "Sponsor"), and UMB Bank, N.A., as trustee (the "Trustee") (the "Tax Regulatory Agreement"). The following words and terms used in this Lessee Tax Exemption Agreement shall have the following meanings unless, in either case, the context or use clearly indicates another or different meaning is intended:

"Bond Counsel" means any nationally recognized firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

"Government Unit" means a state or local governmental unit, as defined in Section 1.103-1 of the Regulations, and any instrumentality thereof.

"Lease" means a Lease-Purchase Agreement between the Sponsor and the Lessee.

"Lease Closing" means the date of this Lessee Tax Exemption Agreement.

"Lease Costs of Issuance" means the costs of issuing the Lease, including legal fees, but not including fees for any Local Credit Facility described in **Section 5.2** hereof.

"Lease Proceeds" means amounts actually or constructively received from the Lease, including the proceeds of Initial Notes allocable to the Lease that are deposited in the Cost of Issuance Fund, the Interest Fund and the Lessee Acquisition Account under the Indenture.

"Lessee Acquisition Account" means that certain account created in the Project Fund under the Indenture which will contain Lease Proceeds to be used for the Lessee's Project.

"Lessee's Project" means the project described in **Exhibit A**.

"Local Credit Facility" means the bond insurance policy, surety bond or letter of credit securing the Lease or Notes corresponding to the Lease, if any, issued by the Local Credit Facility Provider.

"Local Credit Facility Provider" means the name of the local credit enhancer, if any.

"Notes" means \$50,000,000 Missouri Development Finance Board Commercial Paper Lease Revenue Notes (Missouri Association of Municipal Utilities Lease Program) Series 2006A.

ARTICLE II

DESCRIPTION OF PROJECT

Section 2.1. Purpose of the Lease. The Lease is being made by the Issuer to the Lessee from proceeds of the Notes to provide funds for the Lessee's Project. A breakdown of the sources and uses of funds is attached as **Exhibit A**.

Section 2.2. The Lessee's Project - Binding Commitment and Timing. The Lessee has incurred or will, within six months of the Lease Closing, incur a substantial binding obligation (not subject to contingencies within the control of the Lessee or any member of the same Controlled Group as the Lessee) to a third party to expend at least five percent of the Lease Proceeds on the Lessee's Project. It is expected that the work of acquiring and constructing the Lessee's Project and the expenditure of amounts deposited into the Lessee Acquisition Account will continue to proceed with due diligence until completion of the Lessee's Project at which time it is anticipated that all Lease Proceeds and investment earnings thereon will have been spent.

It is expected that the Lease Proceeds, including investment earnings, will be spent to pay costs of the Lessee's Project and interest on the Lease.

Estimated total investment income of \$_____ has been calculated on the basis of an expected overall investment rate assuming that the costs of the Lessee's Project are drawn down in accordance with the Lessee's present expectations.

Section 2.3. Reimbursement. The Lessee may allocate Proceeds of a Lease to Reimbursed Expenditures as permitted in Section 2.3 of the Tax Regulatory Agreement which is attached as **Exhibit B**.

Section 2.4. Working Capital. All amounts in the Lessee Acquisition Account will be used, directly or indirectly, to finance Capital Expenditures other than as permitted in Section 2.4 of the Tax Regulatory Agreement.

Section 2.5. Consequences of Contrary Expenditure. The Lessee acknowledges that if amounts in the Lease Proceeds and investment earnings thereon are spent for non-Capital Expenditures other than as permitted by **Section 2.4** hereof, a like amount of then available funds of the Lessee will be treated as unspent Lease Proceeds and as unspent Note proceeds.

Section 2.6. Investment of Lease Proceeds. Not more than 50% of the Lease Proceeds and investment earnings thereon are or will be invested in investments (other than Qualified Tax Exempt Obligations) having a Yield that is substantially guaranteed for four years or more. No portion of the Lease

is being issued solely for the purpose of investing a portion of Lease Proceeds or investment earnings thereon at a Yield higher than the Yield on the Notes.

Section 2.7. No Grants. None of the Lease Proceeds or investment earnings thereon will be used to make grants to any person.

Section 2.8. Hedges. The Lessee or any member of the same Controlled Group as the Lessee will notify the Sponsor if the Lessee or any member of the same Controlled Group as the Lessee expects to enter into any hedge (e.g., an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Lease. The Lessee acknowledges that any such hedge could affect the calculation of Note Yield under the Regulations and that the Internal Revenue Service could recalculate Note Yield if the failure to account for the hedge fails to clearly reflect the economic substance of the transaction.

ARTICLE III

USE OF PROCEEDS; DESCRIPTION OF FUNDS

Section 3.1. Use of Proceeds.

(a) **Exhibit A** describes the use of the Lease Proceeds and investment earnings thereon at the time of the Lease Closing.

(b) As shown in **Exhibit A**, the only funds or accounts that will be funded with Lease Proceeds at the Lease Closing are the Cost of Issuance Fund, the Interest Fund, the Reserve Fund and the Lessee Acquisition Account. There are no other funds or accounts related to the Lease.

(c) Lease Costs of Issuance incurred in connection with the Lease will be paid from the Cost of Issuance Fund or from the Lessee's own funds.

(d) The costs of the Lessee's Project will be paid from the Lessee Acquisition Account and no other moneys (except for investment earnings on amounts in the Lessee Acquisition Account) are expected to be deposited therein.

Section 3.2. No Other Lease Gross Proceeds.

(a) Except as identified in **Exhibit B** hereto, and the Credit Facility and the Local Credit Facility, if any, after the issuance of the Lease, neither the Lessee nor any member of the same Controlled Group as the Lessee has or will have any property, including cash or securities that constitutes:

(i) Lease Proceeds;

(ii) amounts in any fund or account with respect to the Lease (other than the Rebate Fund);

(iii) amounts that have a sufficiently direct nexus to the Lease or to the governmental purpose of the Lease to conclude that the amounts would have been used for that governmental purpose if the Lease was not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(iv) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Lease or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Lease or the obligations under the Credit Facility or any other credit enhancement or liquidity device with respect to the Lease, even if the Lessee encounters financial difficulties;

(v) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the Issuer, Trustee or Noteholders, the Credit Facility Provider, or any other credit enhancement provider, including any liquidity device or negative pledge (any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of Noteholders or a guarantor of the Lease); or

(vi) amounts actually or constructively received from the investment and reinvestment of the amounts described in (i) or (ii) above.

(b) No compensating balance, liquidity account, negative pledge of property held for investment purposes or similar arrangement exists with respect to, in any way, the Lease, the Credit Facility or any other credit enhancement or liquidity device related to the Lease.

(c) The term of the Lease is not longer than is reasonably necessary for the governmental purposes of the Lease. The weighted average maturity of the Lease does not exceed 120 percent of the average reasonably expected economic life of the Lessee's Project.

ARTICLE IV

REBATE FUND; ARBITRAGE REBATE REQUIREMENTS

Section 4.1. Compliance with Rebate Provisions. The Lessee will make, or cause to be made, rebate payments with respect to the Notes. See **Article IV** of the Tax Regulatory Agreement.

ARTICLE V

YIELD AND INVESTMENT LIMITATIONS

Section 5.1. Yield Limits.

(a) The following may be invested without regard to Yield restriction:

(i) amounts that can be invested without Yield Restriction as provided in the Tax Regulatory Agreement;

(ii) amounts invested in Qualified Tax Exempt Obligations (to the extent permitted by the Indenture);

(iii) amounts in the Lessee Acquisition Account prior to the earlier of completion or abandonment of the Lessee's Project or three years from the Lease Closing (reduced by any

period of time such amounts were held in the Note Proceeds Account or prior to being lent to the Lessee);

(iv) all amounts for the first 30 days after they become Lease Gross Proceeds;

(v) all amounts derived from the investment of Lease Proceeds and investment earnings thereon for a period of one year from the date received; and

(vi) amounts in the Reserve Fund, if any, to the extent that such amounts constitute reasonably required reserve or replacement accounts, do not exceed maximum annual debt service or 125% of average annual debt service on corresponding notes and do not exceed 10% of the amount borrowed under the Lease.

(b) All other moneys may not be invested at a Yield that exceeds the Yield on the Notes by more than 1/8th of 1 percent.

Section 5.2. Treatment of Certain Credit Facility Fees. If the Lessee is purchasing any credit enhancement with respect to its Lease, other than the letter of credit securing the Notes, then the Lessee will make the certifications contained in an exhibit to this Lessee Tax Exemption Agreement.

ARTICLE VI

PRIVATE ACTIVITY BOND REPRESENTATIONS

Section 6.1. Governmental Bonds. The Lessee recognizes that in order to ensure that the interest on the Notes remains excludable from the gross income of the holders, the Notes cannot become "private activity bonds." Accordingly, the Lessee hereby represents and warrants that:

(a) No more than 5% of the Lease Proceeds plus investment earnings thereon will be used, directly or indirectly, in whole or in part, in any activity carried on by any person other than a Governmental Unit.

(b) The payment of more than 5% of the principal of or interest on the Lease will not be, directly or indirectly (1) secured by any interest in (i) property used or to be used in any activity carried on by any person other than a Governmental Unit or (ii) payments in respect of such property or (2) on a present value basis, derived from payments in respect of property, or borrowed money, used or to be used in any activity carried on by any person other than a Governmental Unit.

(c) No more than 5% of the Lease Proceeds and investment earnings thereon will be used, directly or indirectly, to make or finance loans to any persons other than a Governmental Unit.

(d) No users of the Project other than a Governmental Unit will use more than 5% of the Project, in the aggregate, as a result of (1) ownership, (2) actual or beneficial use pursuant to a lease or a management, service, incentive payment or output contract, or (3) any other similar arrangement, agreement or understanding, whether written or oral.

ARTICLE VII

MISCELLANEOUS

Section 7.1. No Sale of the Lessee's Project. No portion of the Lessee's Project has been or is expected to be sold or otherwise disposed of in whole or in part prior to the date the Lease is paid in full. The Lessee agrees that it will not sell or change the use of any portion of its Project without an opinion of Bond Counsel satisfactory to the Trustee that such sale or change of use will not adversely affect the exclusion of interest on the Notes.

Section 7.2. Severability. If any clause, provision or section of this Lessee's Tax Exemption Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

Section 7.3. Successors and Assigns. The terms, provisions, covenants and conditions of this Lessee's Tax Exemption Agreement shall bind and inure to the benefit of the respective successors and assigns of the Lessee.

Section 7.4. Expectations. The Lessee (including the undersigned officer) has reviewed the facts, estimates and circumstances presented by the Lessee and other persons in existence on the date of issuance of the Lease. Such facts, estimates and circumstances, together with the expectations of the Lessee as to future events, are set forth in summary form in this Lessee's Tax Exemption Agreement. Such facts and estimates are true and are not incomplete in any material respect. On the basis of the facts and estimates contained herein, the Lessee has adopted the expectations contained herein. On the basis of such facts, estimates, circumstances and expectations, it is not expected that the Lease Proceeds or any other moneys or property will be used in a manner that will cause the Lease or the Notes to be arbitrage bonds within the meaning of the Rebate Provisions and the Regulations. Such expectations are reasonable and there are no other facts, estimates and circumstances that would materially change such expectations.

DATED: December 14, 2006.

CITY OF REPUBLIC, MISSOURI

By _____
Mayor

EXHIBIT A

CITY OF REPUBLIC, MISSOURI
ESTIMATED SOURCES AND USES OF FUNDS
AND DESCRIPTION OF PROJECT

Sources and Uses of Funds:

SOURCES:

Lease Proceeds	<u>\$11,175,000.00</u>
TOTAL.....	<u>\$11,175,000.00</u>

USES:

Lessee's Project Costs.....	\$ _____
Costs of Issuance of Notes	_____
Deposit to Interest Fund	_____
TOTAL.....	\$ _____

Description of Project:

The Project consists of real and personal property, including (1) extension of the City's water and sanitary sewer system lines into and the construction of a new well and elevated water storage tank within the City in the recently consolidated area of the former Village of Brookline (the "Consolidated Area") and (2) construction of a new fire station in the Consolidated Area and the construction of an addition to and the renovation of the existing fire station, including without limitation the following:

- New Well, Water Tower, Pump and Pump House
- Approximately Seventeen Miles of Sewer and Water Lines
- New Fire Station and Renovation of Existing Fire Station
- Land Acquisition
- Trunk Water and Sewer Lines
- Engineering Fees
- Contingency Fees

The Project will be located on the following real estate:

[Description of real estate where water and sanitary sewer system lines are to be located to be inserted.]

[Description of real estate where new fire station is to be located to be inserted.]

EXHIBIT B

**TAX REGULATORY AGREEMENT
AMONG
MISSOURI DEVELOPMENT FINANCE BOARD,
MISSOURI ASSOCIATION OF MUNICIPAL UTILITIES, AND
UMB BANK, N.A.**

[TO BE ATTACHED.]