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MAMU LEASE TRANSACTION WITH A MISSOURI MUNICIPALITY (Where Real Estate is Involved)

BASIC STRUCTURE

Base Lease. Pursuant to a Base Lease, the City will lease the real property on which the project will be located to the Missouri Association of Municipal Utilities ("MAMU"), for a term of approximately twice the length of the Lease-Purchase Agreement. As consideration and rental under the Base Lease, the amount needed to construct the project will be deposited into an acquisition account from which the City can pay the costs of the project.

Lease-Purchase Agreement. Pursuant to a Lease-Purchase Agreement, MAMU will lease the real property leased to MAMU under the Base Lease, together with the project constructed thereon with the moneys deposited in the acquisition fund, back to the City for the maximum term over which the City wishes to pay for the project, with an option for the City to purchase MAMU's leasehold interest in the leased property. The Lease-purchase Agreement will include, among others, the following provisions:

- Rental payment schedule.
- Nonappropriation clause.
- Provisions regarding the acquisition and construction of the project.
- Option to purchase MAMU's interest in the leased property.

The City is not legally required to continue the term of the Lease-Purchase Agreement beyond the then current fiscal year, but if it does not continue the term, possession of the leased property will revert to MAMU for the remainder of the term of the Base Lease. If the City continues the term of the Lease-Purchase Agreement for the maximum lease term and makes all of the rental payments, the City will have exercised its option to purchase the leased property, and the Base Lease and MAMU's interest in the leased property will terminate.

Legality. This lease transaction structure is used regularly by Missouri cities and is legal under Missouri law.

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John D. Beger-----
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(1959 - 2007)

May 30, 2008

Via Fax: 364-1540

Dan Watkins, General Manager
Rolla Municipal Utilities
P.O. Box 767
Rolla, MO 65402-0767

RE: Lease-Purchase Agreement for Power Supply Infrastructure Project

Dear Mr. Watkins:

Per your request of May 29, 2008, I have reviewed the Ordinance, Lease-Purchase Agreement, Base Lease, Tax Exemption Agreement and attached Exhibits A and B. My review is somewhat limited in that pertinent information, including the dates, principal amounts, commencement date, termination date and payment amounts were not included. Essentially, my review is limited to review of a Lease-Purchase Agreement as a finance structure without specifics included.

In my opinion Rolla Municipal Utilities, and the City of Rolla, are authorized to enter into such an arrangement and that doing so does not add to the overall debt of the City. This is especially true since payments under the lease are dependent upon annual appropriations and the lessee, the City of Rolla, Missouri, d/b/a Rolla Municipal Utilities, has the right to terminate the lease by not appropriating lease payments on an annual basis and/or written notice thereof not less than thirty days before commencement of the next fiscal year.

There are at least a couple references to "Bond Counsel", including, but not limited to, Section 2.1(f)(4) on page 8 and Section 2.1(l) on page 9. I do not understand the references to "Bond Counsel" since this is a lease-purchase. Since the document was drafted by or on behalf of Missouri Association of Municipal Utilities, it is possible these are residue of a form used for another purpose. In any case, the references do not appear to affect the City nor RMU's obligations under the agreement.

At Section 2.1(f)(5) and (6) are references to particular sections of the Internal Revenue Code. I do not practice in the area of taxation, in particular with regard to the Internal Revenue Code, and make no representation about these paragraphs. Please be aware that under Article

VI, Section 6.1, if the interest rate utilized to determine the interest component of Base Rentals is not a fixed rate, there is a provision for amending that interest rate and, as a consequence, payments by RMU under the lease. If, however, the interest rate is fixed, the only changes to the lease payments would be under Section 6.1(a)(i) to reflect changes in Administrative Fees, Credit Fees, Fiduciary Fees or any Rebate Deficiency or under the following subsection, (ii) to reamortize the principal component of Base Rentals in the event monies are transferred from Lessee's (RMU's) Lessee Acquisition Account as thereafter provided.

Be aware of the obligation of contractors performing work in furtherance of the project to furnish performance and payment bonds as set forth in Section 7.5. Also be aware of contractor's obligations to provide general public liability and property damage insurance as well as Builder's Risk Completed Value Insurance under Sections 7.6 and 7.7.

Further be aware of RMU's obligation to provide casualty, public liability and property damage insurance as set forth in Section 10.5. In particular, the limits of general liability coverage required in Section 10.5(b) exceed the limits for exceptions to sovereign immunity as set forth in Chapter 537, Revised Statutes of Missouri, so you will want to make sure RMU's insurance coverage meets the \$1,000,000.00 limit for personal injury or death and \$1,000,000.00 for property damage as set forth therein.

I hope you find these general observations beneficial and if you have specific questions I certainly will make every effort to answer those.

Sincerely,



John D. Beger

JDB/lmm