

# SOUTHEAST POLK RURAL WATER DISTRICT

6540 N.E. 12TH AVE.

ALTOONA, IOWA 50009

515-262-8581

January 24, 1997

Mike Keegan  
2715 M. St., N. W.  
Suite 300  
Washington, D.C. 20007

Dear Mike:

Randy Van Dyke asked that send you a copy of an agreement that we have with the City of Pleasant Hill that clearly spells out, that if the city is to annex and take customers, how the District will be re-imbursed.

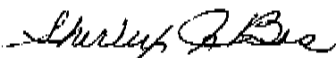
This agreement is very clear as to how the process must go. We have used it three or four times and it has worked very well. As you can see we have also built something into the agreement in the event a developer annexes property that was part of our District into the City.

Our biggest problem was getting consent from GECC to release the taps to the City. The first time it took us six months. The last request took appoximately two months. I would encourage anyone who goes thru this process to make sure they get the consent of the lenders. If they don't they are in violation of their loan agreements. It is a costly and time consuming process but I feel it needs to be done.

The other item would be to make sure the City pays for all costs, including legal. I think Southeast Polk Rural Water spent appoximately \$20,000 in the writing of the agreement plus each time we go thru a release there is probably another \$1,500 to \$2,000 involved. Each time the City pays all costs. If anyone has their loan with GECC there will be an attorney fee from them basically giving a legal opinion on all the documents that have been prepared by the Water District's legal counsel.

If you have any questions please feel free to give me a call.

Sincerely yours,



Shirley J. Bos  
General Manager

cc: Randy Van Dyke

### AMENDED AND SUBSTITUTED AGREEMENT

This Amended and Substituted Agreement ("Agreement") is made and entered into as of the 13<sup>th</sup> day of Sept, 1995, by and between the City of Pleasant Hill, Iowa, a municipal corporation organized and existing under the laws of the State of Iowa ("City"), and the Southeast Polk Rural Water District, organized and incorporated as a body politic pursuant to Chapter 357A, Code of Iowa ("District").

#### Background

The District was organized under Section 357A of the Code of Iowa by Resolution of the Polk County Board of Supervisors dated March 24, 1981. The District has constructed a Water System to serve Members within its defined boundaries. The City has annexed a certain portion of the territory within the District's defined boundaries including territory in which the District is now providing water service and may, in the future, annex additional territory within the District's defined boundaries.

After organization of the District and initial construction of the District's Water System, Section 357A.21 of the Iowa Code was adopted which provides in relevant part as follows:

A water district organized under Chapter 357A, shall be fairly compensated for losses resulting from annexation. The governing body of a City or water utility and the Board of Directors or Trustees of the water district may agree to terms which provide that the facilities owned by the water district and located within the City shall be retained by the water district for the purpose of transporting waters to customers outside the City. If an Agreement is not reached within 90 days, the issues shall be submitted to arbitration. An arbitrator shall be selected by a committee which includes one member of the governing body of the City or its designee, one member of the water district's Board of Directors or Trustees or its designee, and a disinterested party selected by the other two members of the committee. A list of qualified arbitrators may be obtained from the recognized arbitration association or organization.

The District believes that Section 357A.21 of the Iowa Code may violate its rights under 7 U.S.C. § 1926(b) which provides:

(b) **Curtailement or limitation of services prohibited.** The service provided or made available through any such association [to provide for the use of water] shall not be curtailed or limited by inclusion of the area served by such association within the boundaries of any municipal corporation or other public body, or by the granting of any private franchise for similar service within such area during the term of such loan; nor shall the happening of any such event be the basis of

requiring such association to secure any franchise, license, or permit as a condition to continuing to serve the area served by the association at the time of the occurrence of such event.

The District desires to avoid any controversy regarding the enforceability of said Section 357A.21 by entering into this Agreement but does not by this Agreement waive its right, if any, to object to the enforceability of said Section 357A.21. The City and the District are desirous of avoiding conflict regarding adequate provision for water service within those portions of the territory which are annexed by the City. The City and the District entered into an Agreement dated July 18, 1990 (the "Original Agreement") in lieu of proceeding in accordance with said Section 357A.21 or litigating its enforceability with regard to territories that have been annexed by the City of Pleasant Hill, Iowa and to lay a ground work for future annexations by the City.

The District and the City desire to amend certain provisions of the Original Agreement and to accomplish said amendments desire to enter into this Agreement which shall replace and supersede the Original Agreement in its entirety.

#### **Agreement**

**NOW, THEREFORE**, in consideration of the mutual promises and agreements obtained herein, it is agreed as follows:

1. **Purpose.** The purpose of this Agreement is to provide for the continued operation by the District of its Water System, within the District's territory, a portion of which was previously annexed by the City, and to provide for the continued operation by the District of its Water System in the event the City annexes additional territory in the future. It is also the purpose of this Agreement to set forth the times, terms, and conditions on which the City will purchase (i) a portion of the District's Water System in the event of future annexations, (ii) Existing Taps (as hereinafter defined) and (iii) Future Taps (as hereinafter defined). It is the further purpose of this Agreement to make adequate provision for the continuation of water service to the territory within the District's territory but outside the territory described in Exhibit "A" (which is the current boundaries of the City) in the event the City annexes additional territory that is within the boundaries of the District.

2. **Definitions.** The following terms shall have the following definitions when used in this Agreement:

a. **"Break Even Amount"** shall mean the pro-forma amount per Existing Tap purchased by the City which is required for the District to generate the same cash flow from all of the District's Taps that are remaining after the specified Water

Franchise Area is purchased by the City in accordance herewith as the cash flow of the District for the fiscal year end immediately preceding the Computation Date.

The Break Even Amount shall be computed in the same fashion as the hypothetical example prepared by Walter, Timmins & Co. dated July 2, 1990 assuming the purchase of a Water Franchise Area containing 100 Existing Taps. A copy of the hypothetical example and the assumptions used in arriving at the conclusions of the hypothetical example is attached to this Agreement and made a part of it by reference.

In determining the Break Even Amount, the accountant for the District shall prepare a pro-forma statement of income and changes in cash flow, based upon the fiscal year of the District immediately preceding the Closing Date. Professional fees and other expenses which were reimbursed by the City and the amount of any such reimbursement, if any, included in the income and expenses of the preceding year shall be deducted in computing the pro-forma.

Pro-forma adjustments for water revenue and water purchases shall be based on the average for all Taps of the District. The average shall be the respective total of water revenue or water purchases for the preceding fiscal year divided by the total Taps of the District for the preceding fiscal year. The total Taps for the District for the preceding fiscal year shall be the total number of Taps at the beginning of such year plus the total number of Taps at the end of such year divided by two.

The pro-forma shall adjust for interest received by the District in the event that the District is able to retain the amount paid by the City and invest that amount. Alternatively, the pro-forma shall reduce the interest and principal paid by the District in the event and to the extent the proceeds from the acquisition are applied to outstanding debt of the District and the bondholder (or other holder of the District's debt) agrees to adjust the amount of monthly payment upon the debt to reflect the reduction in debt.

The interest rate on proceeds that are to be invested by the District shall be determined by the accountant for the District and shall be based upon United States Treasury Bonds having a maturity of 20 years determined at the Computation Date.

For that amount of the proceeds that will be applied to the outstanding debt of the District, the reduction in interest paid by the District will be based upon the prevailing rate being paid by the District on the debt that is to be reduced.

b. "Computation Date." The date with respect to which the Existing Tap Purchase Price is calculated for purposes of this Agreement. The Computation Date shall be the first day of the first calendar month after the City gives the notice provided by Section 6(a) or if the City fails to give such notice then the first day of the month selected by the District in preparing the calculations required by Section 6(b).

c. "Existing Tap." A Tap that is located, on the Computation Date, within the Water Franchise Area which is being purchased by the City.

d. "Existing Tap Purchase Price" shall mean the amount to be paid by the City to the District determined at the Computation Date with respect to the Water Franchise Area purchased by the City. The Existing Tap Purchase Price shall be the number of Taps within the Water Franchise Area to be purchased by the City at the Computation Date multiplied by the greater of (i) Unamortized Tap cost or (ii) the Break Even Amount.

e. "Future Tap." Water service which is directly or indirectly provided by or made available by the City to a user (excluding those users whose water service constituted a Tap on the Computation Date) with respect to any real estate located within a Water Franchise Area. A Future Tap shall be deemed to be established upon the issuance by the City of a building permit with respect to the applicable parcel of real estate.

f. "Future Tap Purchase Price." The amount of four hundred dollars (\$400) per Future Tap.

g. "Indebtedness." The principal amount of any revenue bonds or long term debt obligation of the District. The term shall also include any interim financing issued in anticipation of the future receipt of bond proceeds issued by the District to pay any or all costs of administration, design, construction, capital replacement, repair and reconstruction or acquisition of the water system, including costs of issuance of any revenue bonds or long term debt obligation, and interest thereon.

h. "Member." Any owner of land which is located within the District's territory, or the occupant thereof or other persons acting for the owner with the owner's written consent.

i. "Participating Member." A Member who has subscribed to and paid the established fee for at least one Tap in the District.

j. "Reimbursable Expenses" shall mean the out-of-pocket expenses incurred by the District in connection with each sale of a Water Franchise Area to the City, including, but not limited to, accounting fees, legal fees, arbitration costs, engineering costs and, including, but not limited to, costs related to obtaining necessary consents from the District's lenders, to transfer the Water System to be transferred, to prepare pro-formas, and for recording fees, filing fees, and fees for releases.

k. "Tap" shall mean a subscription, which has not been terminated, for the right to purchase and use water supplied by the District, regardless of whether the Member or other subscriber is actually using water supplied by the District and whether a meter has actually been set for such tap, and shall include taps commonly referred to as "Developer Taps."

l. "Unamortized Cost of the Water System" shall mean the sum of:

(i) The unpaid balance of the Indebtedness of the District on the Computation Date;

(ii) The unamortized amount of other capital expenditures for system improvements and expansion (including engineering, legal and financing costs) made from reserves and general funds. These expenditures shall be amortized based upon a 480-month straight line amortization of each such capital expenditure as of the Computation Date as determined by the accountant for the District, applying generally accepted accounting principals.

m. "Unamortized Tap Cost." The Unamortized Cost of the Water System at the Computation Date divided by the total number of Taps in the District at the Computation Date.

n. "Water Franchise." The right to provide water to Members or others within the District's territory.

o. "Water Franchise Area." That geographic area with respect to which the City is purchasing the District's Water Franchise. Unless the District agrees otherwise, any such area shall be contiguous with the area served by the City's water system.

p. "Water System." All rights, title and interest in real estate of the District and such ponds, reservoirs, pipe line, wells, check dams, pumping installations, water towers, or other facilities for the storage, transportation, or utilization of water, and such appurtenant structures and

equipment, as may be necessary or convenient to carry out the purposes for which the District was incorporated.

Whenever the terms "annex", "annexed" or "annexation" is used in this Agreement it shall include both voluntary and involuntary annexations.

3. City Water. The City shall have the right to install or extend water lines within the areas annexed by the City to serve property which is located within the City but not located in the District's territory on the date of such installation or extension, but the City shall not have the right to sell or otherwise provide water in the District's territory, whether located in or outside the City, without such area first becoming a Water Franchise Area by the City purchasing the District's Water Franchise with respect to such area pursuant to the terms of this Agreement.

Upon the purchase by the City of a Water Franchise Area within any annexed area in accordance with the terms of this Agreement, the City shall have the right to provide water and exercise a Water Franchise with respect to the Water Franchise Area.

If after the City purchases the Water Franchise for a given Water Franchise Area, the City is unable to immediately supply water to the Water Franchise Area purchased and if a developer within such Water Franchise Area desires to obtain water from the District and if the City consents, the District may, at its option, elect to provide water to such Developer and subsequent property owners within the developer's development. If the District provides water pursuant to the foregoing provisions, at such time as the City is able to provide water to such users it shall notify the District in writing setting forth the date that the City desires to commence providing water to such users. The date that the District's water lines are disconnected and the City's water lines are connected to such users shall be a date mutually agreeable to the District and the City and the District shall be responsible for disconnecting its water lines from such users and the City shall be responsible for connecting its water lines to such users. If the District provides water pursuant to the foregoing provisions, at such time as the City commences providing water to the users that had been supplied water by the District pursuant to the foregoing provisions, the City shall have no payment obligations to the District for the City providing water to such users other than the payments for Future Taps, as set forth in this Agreement. If the District elects to provide water to users pursuant to the foregoing provisions, the terms of the agreement between the District and such users shall be within the discretion of the District and the District shall, among other things, be permitted to require such users to pay to the District the costs of the water lines, meters, meter pits and related equipment together with installation costs.

4. Water District Franchise. With regard to the territory that has previously been annexed by the City, and in the event of an annexation of any additional territory by the City, the District has and shall have the full unrestricted and exclusive right, subject only to the conditions of this Agreement pertaining to a purchase of one or more Water Franchise Areas by the City, to continue to construct, operate, maintain, repair, replace and reconstruct the Water System. The District may also make such additional improvements or modifications to the Water System within any area which has been annexed by the City and may make additional improvements or modifications outside the area then annexed by the City without further approval or consent of the City. The City shall not sell or provide water to any property or Member within the boundaries of the District except as specifically provided in this Agreement.

5. Construction Standards. The City recognizes that the Water System is not constructed to provide fire protection and the City agrees that it will not attempt to impose construction standards upon the District greater than ASTM standards. The District agrees that at the request of the City it will construct any new water lines, within any area that is within the corporate limits of the City, to City specifications provided the City agrees to pay and pays the difference in cost between the cost of construction to ASTM standards and construction to City specifications at the time such cost is incurred by the District.

6. Option to Purchase. With regard to the property that has been previously annexed by the City, and in the event of the annexation of any additional territory, the City shall have the option to purchase from the District and the District shall sell to the City at any time that Water Franchise Area located within the territory which has been annexed by the City subject to the following terms and conditions:

a. The City shall give written notice to the District of its intent to exercise the option and shall specify the Water Franchise Area to be purchased by the City. The notice shall be given by certified mail.

b. The District shall, within 60 days of receipt of said notice, provide to the City an accounting reflecting the Existing Tap Purchase Price to be paid by the City to the District on the date of purchase for the Water Franchise Area specified.

c. The City shall, within 30 days of receipt of the accounting, give a written notice of its concurrence or failure to concur with the accounting provided by the District.

d. In the event the City and the District agree to the accounting, the District shall, if necessary, request the approval of the District's lenders and the District shall upon receipt of the approval or, if applicable, rejection of the District's lenders, notify the City of such approvals or, if applicable, rejections and in the event the District's lenders approve of the accounting and the proposed transaction the District and the City shall set a closing date for the purchase by the City of the applicable Water Franchise Area ("Closing Date") which shall be within 60 days of the date that the City received notification from the District that all necessary consents have been obtained from the District's lenders with respect to the purchase by the City of the applicable Water Franchise Area. If the District's lenders fail to give all necessary approvals within 365 days from the date of request, the City shall not be entitled to purchase and the District shall not be obligated to sell the Water Franchise Area.

e. In the event the City and District fail to agree, the issue of Existing Tap Purchase Price determined in accordance with this Agreement shall be submitted to arbitration. An arbitrator shall be selected by a committee which includes one member of the governing body of the City or its designee, one member of the District's Board of Directors or its designee, and a disinterested party selected by the other two members of the committee. A list of qualified arbitrators from the American Arbitration Association or other recognized arbitration association or organization shall be used. The determination of the arbitrator shall be binding upon both parties. If the parties cannot agree upon an arbitrator within 90 days of the date of the District's written notice of its computation of the Existing Tap Purchase Price, then either party may petition the District Court for Polk County, Iowa to appoint the arbitrator.

On the Closing Date, the City shall pay to the District the (i) Existing Tap Purchase Price, (ii) the District's Reimbursable Expenses in immediately available U.S. funds and (iii) the Future Tap Purchase Price with respect to any Future Taps in existence, on the Closing Date in the Water Franchise Area being purchased. Upon payment by the City of the foregoing amounts on the Closing Date, the purchase by the City of the applicable Water Franchise Area shall be complete; provided, however, the City shall have a continuing obligation to the District subsequent to the Closing Date to pay the District the Future Tap Purchase Price, in accordance with the following provisions, with respect to each Future Tap that comes into existence subsequent to the applicable Closing Date in the applicable Water Franchise Area purchased by the City.

In addition to paying to the District the Existing Tap Purchase Price, the District's Reimbursable Expenses and the Future Tap Purchase Price with respect to any Future Taps in existence on the Closing Date, as provided above, the City shall pay to the District, as each Future Tap is established in the Water Franchise Area subsequent to the Closing Date, the Future Tap Purchase Price for each Future Tap that comes into existence subsequent to the Closing Date. The City shall, within thirty (30) days of the establishment of each Future Tap (i) notify the District, in writing, of the establishment of each Future Tap and (ii) pay to the District the applicable Future Tap Purchase Price. The District shall have the right, from time to time, to review the books and records of the City for purposes of enabling the District to determine the number of Future Taps. In the event the City and the District are, at any time, unable to agree upon the number of Future Taps, the matter shall be submitted to arbitration in accordance with the procedures provided in subparagraph (e) above. Notwithstanding any provision of this Agreement to the contrary, the termination of this Agreement, for any reason, shall not relieve the City from its obligation to pay the Future Tap Purchase Price, in accordance with the terms of this Agreement, with respect to any Future Tap which comes into existence subsequent to the termination of this Agreement and the foregoing provisions shall survive the termination of this Agreement.

After the City purchases the Water Franchise for a given area, the City shall reimburse each Participating Member within that area for the unamortized portion of any connecting fee paid by the Participating Member to the District. The unamortized portion of the connection fee shall be determined by multiplying the connection fee paid by the Participating Member by a fraction, the denominator of which is 2025 less the year the Participating Member first became Participating Member and the numerator of which is 2025 less the year in which the City purchases the Water Franchise Area for the affected user. The method, timing and means of reimbursement by the City to the Participating Member shall be at the sole discretion of the City.

7. Required Purchase. Prior to the Closing Date and the payment by the City of the Existing Tap Purchase Price and the Future Tap Purchase Price for any Future Taps in existence in the Water Franchise Area on the Closing Date, the City shall not commence construction of any water system to provide water for the benefit of such Water Franchise Area. Not later than the earlier of the date the City lets bids for such construction or 120 days before the proposed date such proposed construction is to commence, the City shall give notice that it will purchase such Water Franchise Area. Such notice shall conform to and constitute the notice described in Section 6(a) and the purchase shall thereafter be completed in the manner described in Section 6. If the City fails to give the foregoing notice, then the District may at any time either give the notice provided in Section 6(a) and the

purchase shall then be completed in accordance with Section 6 or enjoin the City from commencing such construction until the Closing Date and the payment by the City of the Existing Tap Purchase Price and the Future Tap Purchase Price for any Future Taps in existence in the Water Franchise Area on the Closing Date.

8. District Rights After Closing. From and after the Closing Date, within each Water Franchise Area purchased by the City,

a. The District shall have the right to continue to provide water to Participating Members who were Participating Members at the Closing Date until such time as the City provides notice to the District of its intention to provide water to those persons. The District and the City shall jointly provide written notice to the persons who will be affected. The notice shall specify the date upon which the District shall no longer provide service and upon which City water service shall be exclusively available. From and after the specified date, the District shall not provide service to the designated Participating Members.

b. The District shall not add any new Taps without the prior written consent of the City pursuant to Section 3, and

c. The District shall encourage Participating Members to subscribe for City water when the City makes it available to them.

9. Title to Water System. The District shall continue to own all title and rights to that portion of the District's Water System within the Water Franchise Area purchased by the City, that the District foresees using to serve Members outside the Water Franchise Area being purchased by the City. The District shall use its best efforts to obtain from the District's lenders the release of their lien and their consent to the transfer of all of the District's Water System within the Water Franchise Area being purchased (including but not limited to water lines and water meters) that the District does not foresee using to serve Members outside the Water Franchise Area being purchased by the City. The District shall not be required to pay to the lender any part of the Existing Tap Purchase Price or any Future Tap Purchase Price, as the case may be, to receive such release and consent unless the lender agrees to adjust the amount of payments due it to reflect the reduced interest and principal shown in the pro-forma prepared to compute the Break Even Amount. Upon obtaining such release and consent the District shall convey such portion which it does not foresee using to the City upon the Closing Date or as soon thereafter as possible. The City shall, at its sole cost, separate that portion of the District Water System acquired by the City from the remaining District Water System. The District may maintain, repair, replace, improve and operate its portion of the Water

System within the Water Franchise Area as a part of its Water System but, except as provided in Section 8, the District shall not provide water to any property within the Water Franchise Area purchased by the City.

**10. Emergency Water Agreement.** The City and the District agree that they intend to negotiate an agreement under terms and conditions mutually agreeable to the parties to provide for water purchases each from the other in the event of certain emergency needs for water by either of them; subject, however, to all applicable laws and regulations, and any and all approvals and proceedings necessary including consent, if any be required, from Farmers Home Administration, the District's lenders, and the Des Moines Water Works.

**11. No Waiver.** The District hereby retains any and all of its rights, privileges and benefits possessed and not herein specifically relinquished by the terms and conditions of this Agreement including, but not limited to, the rights, privileges and benefits obtained by 7 U.S.C. § 1926.

**12. Indemnity and Expenses.**

a. The City will indemnify and save harmless the District and its officers, officials, agents, directors and employees from and against any and all losses by it or them while it or they are acting in good faith to carry out the transactions contemplated by this Agreement or to safeguard its or their interests or ascertain, determine or carry out its or their obligations under this Agreement, or any law or contract applicable to said transaction.

It is the intention of the parties that the District shall not incur pecuniary liability by reason of the terms of this Agreement, or the undertakings required of the District hereunder. The performance of any act required of it by this Agreement or the performance of any act requested of it by the City, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing; accordingly, if the District (including any person at any time serving as an officer, official, agent, director or employee of the District) should incur any such pecuniary liability, then in such event the City shall indemnify and hold harmless the District (including any person at any time serving as an officer, official, director, agent or employee of the District) against all claims by or on behalf of any person, firm or corporation, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon. The City agrees to indemnify and hold the District (including any person at any time serving as an officer, official, agent, director or

employee of the District) harmless to the fullest extent permitted by law from any losses, costs, charges, expenses (including attorneys' fees), judgments and liabilities incurred by it or them, as the case may be, in connection with any action, suit or proceeding instituted or threatened in connection with the transaction contemplated by this Agreement. If any such claim is asserted, the District or any individual indemnified herein, as the case may be, will give prompt notice to the City, but the District will assume its defense thereof selecting legal counsel acceptable to it and to the City, with full power to litigate, compromise or settle the same in its sole discretion, it being understood that neither the District or its agent nor any indemnified individual will settle or consent to the settlement of the same without the written consent of the City. The obligation of the parties under this section shall survive the termination of this Agreement.

b. The City will upon demand pay to the District (including any person at any time serving as an officer, official, agent, director or employee of the District) the amount of any and all reasonable expenses, including the reasonable fees and expenses of their counsel and of any experts and agents, which the District may incur in connection with (i) the exercise or enforcement of any of the rights of the District hereunder, (ii) the failure by the City to perform or observe any of the provisions hereof, or (iii) the collection of payments due under this Agreement.

**13. Termination.** This Agreement shall be in full force and effect until the earlier of (i) 2025, (ii) such time as fully performed by the parties hereto, (iii) until terminated by the mutual agreement of the parties hereto in writing, or (iv) until unilaterally terminated by either party by the giving of not less than 30 days prior written notice and such termination shall be effective with respect to any option which has not been exercised prior to the date of such written notice.

**14. Notices.** Any notices or mailings required by this Agreement shall be sent to the respective parties by personal delivery or certified mail to the following persons at the following addresses:

Pleasant Hill:           City of Pleasant Hill  
                                  Attention: City Clerk  
                                  5151 Maple Drive, Suite 1  
                                  Pleasant Hill, Iowa 50317

Southeast Polk           6540 N.E. 12th Avenue  
Rural Water             Attention: Manager  
District:                 Altoona, Iowa 50009

, or to such other person or persons or such other address as designated by a party by written notice to the other party given in the manner provided above.

15. Legal Fees. At the time of execution of this Agreement and in consideration hereof, the City hereby agrees to pay to the District the legal fees and related out-of-pocket costs incurred by the District relating to the negotiation, execution and approval of this Agreement, including but not limited to legal fees and costs relating to negotiations with Farmers Home Administration, District's lenders and obtaining necessary information, approvals, and possible restructuring.

16. FmHA Approval. This Agreement shall not become effective until the terms and conditions herein contained have been approved by Farmers Home Administration and, if required by the terms of the District's loan documents, General Electric Credit Corporation.

17. Incorporation by Reference. The exhibits to this Agreement are hereby incorporated herein by reference.

18. Resolutions and Execution. The City and the District shall become a party hereto upon its execution by their respective chief executive officers after the passage of a resolution approving this Agreement and authorizing the execution of the same.

19. Original Agreement Superseded. This Agreement supersedes and replaces the Original Agreement in its entirety effective as of the date of this Agreement and the Original Agreement shall cease to be in effect as of the date of this Agreement; provided, however, the termination of the Original Agreement shall not affect any transaction which arose under the Original Agreement prior to the date of this Agreement.

Executed the day and year first written above.

CITY OF PLEASANT HILL, IOWA

*Jerry L. Evan*

Jerry L. Evan, Mayor Pro-Tem

ATTEST:

*Pamela L. Shannon*

Pamela L. Shannon, City Clerk

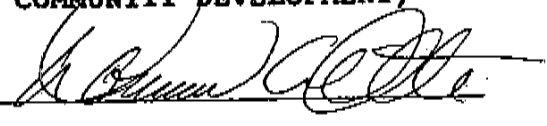
SOUTHEAST POLK RURAL  
WATER DISTRICT

*Wendell E. Miskimins*  
Wendell Miskimins, President

*Fred Lockard* SEC  
Fred Lockard,  
Secretary

Approved this 18 day of October, 1995.

**FARMERS HOME ADMINISTRATION (RURAL ECONOMIC AND COMMUNITY DEVELOPMENT)**

BY 

BY **DORMAN A. OTTE**  
~~Chief, Community Programs~~

"Wherever "Farmers Home Administration", "FmHA", "Rural Development Administration" or "RDA" may appear, the term "United States of America" is substituted."