

ORDINANCE NO. 06-1 (Special)

ADOPTED BY THE
BOARD OF TRUSTEES
OF THE
VILLAGE OF PESOTUM
THIS
5th DAY OF APRIL, 2006

PUBLISHED IN PAMPHLET FORM BY AUTHORITY OF THE BOARD OF
TRUSTEES OF THE VILLAGE OF PESOTUM, ILLINOIS,
THIS 5th DAY OF APRIL, 2006.

CERTIFIED BY THE UNDERSIGNED CLERK OF THE VILLAGE OF PESOTUM,
ILLINOIS THIS DATE.


CLERK

(SEAL)

WHEREAS, the Village of Pesotum owns and operates a municipal water system;
WHEREAS, operational and regulatory requirements cause, and it is anticipated will cause, ever-increasing costs and compliance burdens for the Village of Pesotum;

WHEREAS, the Village of Pesotum anticipates that the costs of compliance with the increasing burden makes it suitable and in the interests of the citizens of the Village of Pesotum to engage in a series of agreements to continue and enhance the water supply system in Pesotum;

WHEREAS, the Board of Trustees of the Village of Pesotum believes that at this time Illinois-American Water Company has the financial resources and required technical ability to operate the Village's water system and supply suitable potable water to the citizens of the Village of Pesotum;

WHEREAS, the Board of Trustees of the Village of Pesotum believes that it is in the best interests of the Village to enter into several agreements by which Illinois-American Water Company will purchase pertinent assets of the Village's water system, lease certain other assets with the opportunity to purchase assets and enter into a franchise agreement with the Village;

NOW THEREFORE, be it Ordained by the President and Board of Trustees of the Village of Pesotum, Champaign County, Illinois, as follows:

1. That the President and members of the Board of Trustees of the Village of Pesotum have been duly elected or appointed to serve in their respective capacities.

2. That the Village of Pesotum shall enter into an Asset Purchase Agreement with Illinois-American Water Company in form and substance as provided for in Exhibit "A".

3. That the Village of Pesotum shall enter into a Lease Agreement with Illinois-American Water Company in form and substance as provided for in Exhibit "B".

4. That the Village of Pesotum shall enter into a Franchise Agreement with Illinois-American Water Company in form and substance as provided for in Exhibit "C".

This ordinance shall be effective 10 days after its passage and approval.

ADOPTED THIS 5th day of April, 2006, by the President and Board of Trustees of the Village of Pesotum, Illinois.

Ayes:
Mark Myers
Leonard Reinart
Dan Dykstra
Robert Russian
Joseph Zecher

Nays:

Mary Beth Henry
Village Clerk

APPROVED this 5th day of April, 2006.

Joseph M. Zecher
Village President, Pro Tem

(SEAL)

ATTEST:

Mary Beth Henry
Village Clerk

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement ("Agreement") is made and entered into this ^{25th} day of April, 2006 by and among Illinois-American Water Company, an Illinois public utility corporation ("Buyer"), and the Village of Pesotum, Illinois ("Seller").

RECITALS:

A. Seller owns and operates a water treatment and distribution system and is engaged in the business of providing a potable water supply to its residents together with other services incident thereto (collectively, the "Business").

B. Buyer desires to acquire and Seller desires to sell substantially all of the assets of Seller relating to the Business pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants contained herein and in exchange for other consideration the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

ARTICLE 1

Definitions and Related Matters

For purposes of this Agreement, the capitalized terms used herein shall have the meanings assigned to them in Schedule 1 and for purposes of this Agreement and all other documents executed in connection herewith, the rules of construction set forth in Schedule 1 shall govern.

ARTICLE 2

Purchase and Sale of Assets; Closing

2.1 Transfer and Description of Assets. Subject to and upon all other terms and conditions of this Agreement, at the Closing Date, but effective as of the Effective Time, Seller shall sell, convey, transfer, assign and deliver to Buyer free and clear of all Encumbrances, and Buyer shall acquire from Seller, all of Seller's right, title and interest in and to all of Seller's property and assets used in the operation of the Business, including the following:

- (a) all Real Property as more particularly described on Schedule 3.4;
- (b) all Tangible Personal Property, as set forth on Schedule 3.5;
- (c) all Contracts listed and described on Schedule 2.2 (the "Assumed Contracts");
- (d) all data and Records related to Seller's operation of the Business;
- (e) all Permits and all pending applications therefor, renewals thereof or exemptions therefrom, in each case to the extent assignable or transferable to Buyer, including those listed on Schedule 3.8;
- (f) all deposits and rights relating to prepaid expenses and claims for refunds and rights to offset in respect thereof listed on Schedule 2.1(f); and
- (g) all of the intangible rights and property of Seller utilized by Seller in the operation of the Business.

All of the foregoing property and assets are herein referred to collectively as the "Assets".

2.2 Excluded Assets. Notwithstanding anything to the contrary contained in Section 2.1 or elsewhere in this Agreement, the following assets of Seller (collectively, the "Excluded Assets") are not

part of the sale and purchase contemplated hereunder, are excluded from the Assets, and shall remain the property of Seller after the Closing:

- (a) all cash, cash equivalents and short-term investments, and all accounts receivable arising prior to the Effective Time;
- (b) all insurance policies and rights thereunder;
- (c) all personnel Records and other Records that Seller is required by law to retain in its possession;
- (d) all rights in connection with and assets of the Employee Plans;
- (e) all rights of Seller under this Agreement, the Bill of Sale, and the Assignment and Assumption Agreement;
- (f) that certain parcel of land described on Schedule 2.2(f) and the improvements thereon, being a 50,000 gallon elevated storage tank, its support structure and appurtenances; and
- (g) the wells, pumping and treatment facilities used in the Business.

2.3 Consideration. The consideration for the Assets (the "Purchase Price") will be the sum of (i) One Hundred Seventy Thousand Dollars (\$170,000), either increased or decreased by the Adjustment Amount, if any, and (ii) the assumption of the Assumed Liabilities. In accordance with Section 2.7(b), at the Closing the Purchase Price, as adjusted by the Adjustment Amount, shall be delivered by Buyer to Seller as follows: (i) by wire transfer in the amount of One Hundred Seventy Thousand Dollars (\$170,000) plus or minus the Adjustment Amount; and (ii) the balance of the Purchase Price by the execution and delivery of the Assignment and Assumption Agreement.

2.4 Liabilities. On the Closing Date, but effective as of the Effective Time, Buyer shall assume and agree to discharge only the Liabilities accruing after the Effective Time under the Assumed Contracts ("Assumed Liabilities"). Every Liability of Seller other than the Assumed Liabilities shall remain the sole responsibility of and shall be retained, paid, performed and discharged solely by Seller.

2.5 Allocation. The Purchase Price shall be allocated in accordance with Schedule 2.5. After the Closing, the parties shall make consistent use of the allocation, fair market value and useful lives specified in Schedule 2.5 for all Tax purposes and in any and all filings, declarations and reports with any Governmental Authority.

2.6 Closing. The purchase and sale provided for in this Agreement (the "Closing") will take place at the law offices of Dobbins, Fraker, Tennant, Joy & Perlstein located at 215 North Neil Street, Champaign, Illinois at 10:00 a.m. (local time) on the 1st day of the month following a period of fifteen (15) Business Days after the effective date of the approval of the Contemplated Transactions by all necessary Governmental Authorities, or on such other date as mutually agreed upon by the parties. The parties shall use commercially reasonable efforts to cause the Closing to occur as soon as practical. In any event, the Closing shall be effective as of 12:01 a.m. (the "Effective Time") on the day the Closing actually occurs (the "Closing Date").

2.7 Closing Obligations.

- (a) At or prior to the Closing (as the case may be), Seller shall deliver to Buyer the following documents, duly executed, if applicable:
 - (i) a bill of sale for all of the Assets that are tangible personal property in a form reasonable acceptable to each party (the "Bill of Sale");

(ii) an assignment of all of the Assets which are intangible personal property in a form reasonably acceptable to each party, which shall contain Buyer's undertaking and assumption of the Assumed Liabilities (the "Assignment and Assumption Agreement");

(iii) for each interest in Real Property and each easement and/or right-of-way identified on Schedule 3.4, a recordable warranty deed or such other appropriate document or instrument of transfer or approval, as the case may require, each in form and substance satisfactory to Buyer and its legal counsel. Notwithstanding the fact that the same may not be listed on Schedule 3.4, Seller must provide easements or other transferable property rights to Buyer for all mains used in the Business, which are not located on public rights-of-way, and must provide assignments of public rights-of-way permits with only those conditions mutually acceptable to Buyer and Seller for all mains located in municipal, County or State owned public rights-of-way;

(iv) such other deeds, bills of sale, assignments, certificates of title, documents and other instruments of transfer and conveyance as may reasonably be requested by Buyer, each in form and substance satisfactory to Buyer and its legal counsel;

(v) a certificate as to the accuracy of Seller's representations and warranties as of the date of this Agreement and as of the Closing in accordance with Section 5.1(a) and as to its compliance with and performance of its covenants and obligations to be performed or complied with at or before at Closing in accordance with Section 5.1(b);

(vi) a certificate of the Village President of Seller certifying all requisite resolutions, ordinances or actions of Seller's Board of Trustees approving the execution and delivery of this Agreement and the consummation of the Contemplated Transactions;

(vii) a franchise agreement if full force and effect granting Buyer a forty (40) year franchise to provide water service to the residents of Seller in substantially the form of Exhibit A attached hereto (the "Franchise Agreement");

(viii) that certain lease agreement whereby Buyer agrees to lease the land and elevated tank in substantially the form of Exhibit B attached hereto (the "Lease"); and

(ix) financial statements setting forth the Utility Plant in Service, certified by the Village President of Seller, in accordance with Section 2.8.

(b) At the Closing, Buyer shall deliver to Seller the following items and/or documents, duly executed, if applicable:

(i) One Hundred Seventy Thousand Dollars (\$170,000) either increased or decreased by the Adjustment Amount pursuant to Section 2.8, if any, by wire transfer or other immediately available funds;

(ii) the Assignment and Assumption Agreement;

(iii) a countersigned Franchise Agreement accepting Buyer's obligations thereunder;

(iv) the Lease;

(v) a certificate as to the accuracy of Buyer's representations and warranties as of the date of this Agreement and as of the Closing in accordance with Section 5.2(a) and as to its compliance with and performance of its covenants and obligations to be performed or complied with at or before at Closing in accordance with Section 5.2(b); and

(vi) a certificate of the Secretary of Buyer certifying all requisite resolutions or actions of Buyer's board of directors approving the execution and delivery of this Agreement and the consummation of the Contemplated Transactions.

2.8 Adjustment Amount. The Purchase Price shall be adjusted (either increased or decreased), dollar for dollar, by any change in Utility Plant in Service from April 1, 2006 through Closing (the "Adjustment Amount"). To effectuate this provision, Seller shall deliver to Buyer, at least seven (7) Business Days prior to Closing, a financial statement dated with twenty (20) days of the Closing Date. Such financial statement shall be certified by the Village President as true, complete and correct as of the date thereof.

ARTICLE 3 Representations and Warranties of Seller

Seller hereby makes the following representations and warranties to Buyer:

3.1 Organization and Good Standing. Seller is a municipal corporation located in the State of Illinois, duly organized and validly existing with full power and authority to conduct the Business as it is now being conducted and to own and operate its properties and the Assets.

3.2 Enforcement; Authority; No Conflict.

(a) This Agreement constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms. Except as limited by law, Seller has the absolute and unrestricted right, power and authority to execute and deliver this Agreement and the Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder, and such action has been duly authorized by all necessary action by Seller's board of trustees.

(b) Neither the execution and delivery of this Agreement nor the consummation of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time):

(i) contravene, conflict with or result in a violation of any ordinance or resolution adopted by the board of trustees of Seller;

(ii) contravene, conflict with or result in a violation of any of the terms or requirements of or give any Governmental Authority the right to revoke, withdraw, suspend, cancel, terminate or modify any Permit or other authorization by a Governmental Authority that is held by Seller or that otherwise relates to the Business or any of the Assets;

(iii) except for the requirements to obtain the Consent of a third party in connection with Buyer's assumption of any Assumed Contract, contravene, conflict with or result in a violation or breach of any provision of, require the Consent of any Person, or give any Person the right to declare a default or exercise any remedy under or to accelerate the maturity or performance of or to cancel, terminate or modify any Contract, indenture, mortgage, note, lease or other instrument or document of which Seller is a party or by which any of the Assets are bound; or

(iv) result in the imposition or creation of any Encumbrance upon or with respect to any of the Assets, except as contemplated by this Agreement.

3.3 Assets. Seller has good and marketable title to all of the Assets. The Assets are free and clear of any and all Encumbrances whatsoever. None of the Assets are leased or on loan by Seller to any third party. The Assets constitute all property necessary for the operation of the Business in the manner currently being operated by Seller.

3.4 Real Property; Easements. Seller has good and marketable title to those parcels of real property and those easements or rights-of-way used in the operation of the Business, together with all fixtures, fittings, buildings, structures and other improvements erected therein or thereon (the "Real Property"). A legal description of the Real Property is set forth on Schedule 3.4.

3.5 Tangible Personal Property. Set forth on Schedule 3.5 is a complete and accurate listing of all items of Tangible Personal Property owned or used by Seller in the operation of the Business.

3.6 Contracts. Set forth on Schedule 3.6 is a complete and correct list of all Contracts related to the Business to which Seller is a party. Seller has delivered or caused to be delivered to Buyer correct and complete copies of each Contract (including all amendments thereto), a description of the terms of each Contract which is not in writing, and all documents affecting the rights or obligations of any party thereto. The Contracts have not been modified or amended except as disclosed on Schedule 3.6. Each Contract is valid and enforceable against Seller in accordance with its terms and is in full force and effect, and each Contract constitutes a legal, valid and binding obligation of the other parties thereto, enforceable against them in accordance with its terms. No default and no event which, with the giving of notice, lapse of time, or both, would be a default has occurred under any Contract. There are no setoffs, counterclaims or disputes existing or asserted with respect to such Contracts, and Seller has not made any agreement with any other party thereto for any deduction from or increase to any amount payable thereunder. There are no facts, events or occurrences which in any way impair the validity or enforcement of any Contract or tend to reduce or increase the amounts payable thereunder. Seller has not, directly or indirectly, by operation of law or otherwise, transferred or assigned all or any part of its right, title or interest in and to any Contract to any other Person. There are no Proceedings pending nor threatened against any party to any of the Contracts which relate to the subject matter of the Contracts.

3.7 Environmental Matters.

(a) Except as set forth on Schedule 3.7(a), Seller is and at all times has been in full compliance with and has not been and is not in violation of or liable under any applicable Environmental Law. Seller has no basis to expect nor has it received any actual or threatened Order, notice or other communication from any Governmental Authority or private citizen acting in the public interest of any actual or potential violation or failure to comply with any Environmental Law or of any actual or threatened obligation to undertake or bear the cost of any Environmental, Health and Safety Liabilities with respect to the Real Property or any other properties or assets (whether real, personal or mixed) in which Seller has or has had an interest or with respect to any property, the Real Property or other real property at or to which Hazardous Materials were generated, manufactured, refined, transferred, imported, used or processed by Seller or any other Person for whose conduct it is or may be held responsible, or from which Hazardous Materials have been transported, treated, stored, handled, transferred, disposed, recycled or received.

(b) There are no pending or threatened claims, Encumbrances or other restrictions of any nature, resulting from any Environmental, Health and Safety Liabilities or arising under or pursuant to any Environmental Law with respect to or affecting the Real Property or any other properties and assets (whether real, personal or mixed) in which Seller has or had an interest.

(c) Neither Seller nor any other Person for whose conduct it is or may be held to be responsible has received any citation, directive, inquiry, notice, Order, summons, warning or other communication that relates to Hazardous Activity, Hazardous Materials or any alleged, actual or potential violation or failure to comply with any Environmental Law or of any alleged, actual or potential obligation to undertake or bear the cost of any Environmental, Health and Safety Liabilities with respect to the Real Property or any other properties or assets (whether real, personal or mixed) in which Seller has or has had an interest or with respect to any property to which Hazardous Materials generated, manufactured, refined, transferred, imported, used or processed by Seller or any other Person for whose conduct it is or may be held responsible, have been transported, treated, stored, handled, transferred, disposed, recycled or received.

(d) Neither Seller nor any other Person for whose conduct it is or may be held to be responsible has any Environmental, Health and Safety Liabilities with respect to the Real Property or with respect to any other properties and assets (whether real, personal or mixed) in which Seller (or any predecessor) has or has had an interest or at any property geologically or hydrologically adjoining the Real Property or any such other property or assets that could reasonably be expected to have a material adverse effect thereon.

(e) There are no Hazardous Materials present on or in the Environment at the Real Property or at any geologically or hydrologically adjoining property, including any Hazardous Materials

contained in barrels, above or underground storage tanks, landfills, land deposits, dumps, equipment (whether moveable or fixed) or other containers, either temporary or permanent and deposited or located in land, water, sumps or any other part of the Real Property or such adjoining property or incorporated into any structure therein or thereon. Neither Seller nor any other Person for whose conduct it is or may be held to be responsible has permitted or conducted, or is aware of, any Hazardous Activity conducted with respect to the Real Property or any other properties or assets (whether real, personal or mixed) in which Seller has or has had an interest except in material compliance with all applicable Environmental Laws.

(f) There has been no Release or threat of Release, of any Hazardous Materials at or from the Real Property or from or by any other properties and assets (whether real, personal or mixed) in which Seller has or has had an interest, or any geologically or hydrologically adjoining property, whether by Seller or any other Person.

(g) Seller has delivered to Buyer true and complete copies and results of any reports, studies, analyses, tests or monitoring possessed or initiated by Seller pertaining to Hazardous Materials or Hazardous Activities in, on or under the Real Property, or concerning compliance by Seller or any other Person for whose conduct it is or may be held to be responsible, with Environmental Laws, said reports, studies, etc. to include without limitation, any and all Phase I environmental reports now or hereafter in the possession or control of Seller.

3.8 Permits. Set forth on Schedule 3.8 is a complete and correct list of all Permits used by Seller in the operation of the Business. Such Permits constitute all Permits necessary for the operation of the Business and all such Permits are valid and subsisting and in full force and effect. There exists no fact or circumstance which is reasonably likely to cause any Permit to be revoked or materially altered after the Closing Date.

3.9 Financial Statements. Seller has delivered to Buyer an audited Balance Sheet dated as of September 30, 2004 and the related statements of income for the fiscal year ended September 30, 2004. Such financial statements are attached hereto as Schedule 3.9 and are prepared in accordance GAAP and present fairly the financial condition and results of operation with respect to the business. Without limiting the foregoing, as of the date of and for the period referred to in such financial statement, Seller represents that the amount stated as Utility Plant in Service is true, complete and accurate as reflected in such financial statements. In addition to the foregoing financial statements, Seller represents that it has delivered to Buyer true, complete and accurate descriptions of all grants (including amounts) from which funds have been received and used in the Business.

3.10 Insurance. Seller maintains and has maintained appropriate insurance necessary for the full protection of all of its assets, properties, business, operations, products and services. Such insurance is in amounts customary to municipal wastewater systems. All such policies are in full force and effect and will be outstanding and in full force and effect at the Closing and immediately following consummation of the Contemplated Transactions and the premiums therefor have been paid in full as they become due and payable. There are no pending Proceedings arising out of, based upon or with respect to any of such policies of insurance and no basis for any such Proceedings exists which will result in an Encumbrance against the Assets. Seller is not in default with respect to any provisions contained in any such insurance policies and no insurance provider is in default with respect to such insurance policies.

3.11 No Material Adverse Change. Since September 30, 2004, there have been no material adverse changes in the Business or Assets nor has there been any material adverse change in the relationships Seller maintains with its customers, employees and Governmental Authorities nor are there any events, transactions or other facts which exist or have occurred and which are likely to have an adverse effect on the foregoing.

3.12 Conduct of Business In Ordinary Course. Since September 30, 2004, Seller has operated the Business only in the ordinary course of business. Without limitation of the foregoing, since such date:

(a) Seller has not experienced any labor disturbances or interruptions and there have been no threatened strikes, stoppages, sitdowns or other grievances, and Seller does not have any Knowledge of any attempt of any labor union to form any new collective bargaining unit with respect to any of Seller's employees;

(b) Seller has not entered into, amended, terminated or received notice of termination of any Contract or Permit; and

(c) Seller has not increased the compensation or rate of compensation payable to or to become payable to any employees of Seller, except in the ordinary course of business.

3.13 Litigation and Proceedings. There are no Proceedings pending or threatened against Seller or directly affecting any of the Assets or the Business by or on account of any Person or before any Governmental Authority and there is no valid basis for any such Proceeding. Seller has not been charged with, nor are any of them under investigation with respect to any charge which has not been resolved to their favor concerning any violation of any applicable Law with respect to any of the Assets or the Business and there is no valid basis for any such charge or investigation. No judgment, Order, writ, injunction, decree, assessment or other command of any Governmental Authority affecting Seller or any of the Assets or the Business has been entered which is presently in effect. There is no Proceeding pending or threatened which challenges the validity of this Agreement or the Contemplated Transactions or otherwise seeks to prevent, directly or indirectly, the consummation of the Contemplated Transactions, nor is there any valid basis for any such Proceeding.

3.14 Employee Matters.

(a) Schedule 3.14 lists the names, positions and compensation paid to all the present employees of Seller directly working in the Business together with a summary of the bonuses and a description of agreements for commissions or additional compensation and other like benefits, if any, payable to such individuals. All wages and other compensation owed to such employees through the Closing Date have been or will be paid in full prior to the Closing Date.

(b) Seller does not have any Knowledge that any employee intends to terminate his or her employment with Seller or to refuse employment with Buyer. All notices (if any) required by the Federal Worker Adjustment and Retraining Notification Act of 1988, any successor federal law and any applicable state or local plant closing notification required in connection with the Contemplated Transactions have been given and/or will be given within the applicable time frame.

3.15 Labor Relations. Seller is and has been in compliance with all Laws (including reporting and disclosure requirements) relating to employment of labor, including those related to wages, hours, collective bargaining, occupational safety, discrimination, classification of employees and the payment of social security and other payroll Taxes and they have not received any notice alleging that they have failed to comply in any respect with any such Laws. Seller is not a party to any collective bargaining agreement. Seller does not have any Knowledge of any organizational effort presently being made or threatened by or on behalf of any labor union with respect to any of the employees of Seller. Since September 30, 2004, Seller has not experienced any strikes, grievances, claims of unfair labor practices or other collective bargaining disputes.

3.16 Compliance with Laws. Seller is in compliance with all Laws applicable to the Assets and the operation of the Business and has not committed any violation of any Law applicable to the Assets and/or operation of the Business. The Assets, in their current condition, are capable of complying with all Laws.

3.17 Material Omissions. Independent of and in addition to the foregoing representations and warranties contained in this Article 3, neither this Agreement nor any written statement, list, certificate or other information furnished by or on behalf of Seller in response to specific written requests made by Buyer or Buyer's representatives or attorneys contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE 4
Representations and Warranties of Buyer

Buyer hereby makes the following representations and warranties to Seller:

4.1 Organization. Buyer is a duly organized and validly existing corporation in good standing under the Laws of Illinois and has the power and authority to own, lease and operate its assets and properties and to conduct its business as now being conducted.

4.2 Enforcement; Authority; No Conflict.

(a) This Agreement constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms. Buyer has the absolute and unrestricted right, power and authority to execute and deliver this Agreement and the Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder, and such action has been duly authorized by all necessary action by Buyer's board of directors.

(b) Neither the execution and delivery of this Agreement, nor the consummation of the Contemplated Transactions nor compliance by Buyer with any of the provisions hereof will result in: (i) a violation of or a conflict with any provision of the Organizational Documents of Buyer; (ii) a material breach of or default under any term, condition or provision of any Contract to which Buyer is a party, or an event which, with the giving of notice, lapse of time, or both, would result in any such breach or default; (iii) a material violation of any applicable Law, Order, judgment, writ, injunction, decree or award or any event which, with the giving of notice, lapse of time, or both, would result in any such violation; or (iv) any Person having the right to enjoin, rescind or otherwise prevent or impede the Contemplated Transactions or to obtain damages from Seller or to obtain any other judicial or administrative relief.

4.3 Litigation and Proceedings. There is no Proceeding pending nor, to the Knowledge of Buyer, threatened which challenges the validity of this Agreement or the Contemplated Transactions or otherwise seeks to prevent, directly or indirectly, the consummation of such transactions, nor, to the Knowledge of Buyer, is there a valid basis for any such Proceeding.

ARTICLE 5
Conditions Precedent to Closing

5.1 Conditions Precedent to the Obligations of Buyer. Buyer's obligations to consummate the Contemplated Transactions are subject to the satisfaction in full, unless expressly waived in writing by Buyer, of each of the following conditions:

(a) Representations and Warranties. Each of the representations and warranties of Seller contained in Article 3 is true, correct and accurate as of the date that is sixty (60) days from the date of this Agreement and as of the Closing Date shall be true, correct and accurate as though restated on and as of such date (except in the case of any representation and warranty that by its terms is made as of a date specified therein, which shall be accurate as of such date);

(b) Covenants. Seller shall have performed and complied with all covenants required by this Agreement to be performed or complied with by them prior to or at the Closing;

(c) Proceedings. No Order shall be in effect and no Proceeding by any Person shall be threatened or pending before any Governmental Authority, or before any arbitrator, wherein an unfavorable Order would: (i) prevent consummation of the Contemplated Transactions; (ii) have a likelihood of causing the Contemplated Transactions to be rescinded following consummation; (iii) adversely affect the right of Buyer to own any of the Assets; or (iv) adversely affect the business prospects, value or condition of any of the Assets or the Business;

(d) Consents. (i) Seller shall have obtained all applicable Consents and approvals from third parties, including without limitation any Governmental Authority, and those Consents required

for Buyer's assumption of any Assumed Contract and (ii) any waiting periods under existing Laws, and all extensions thereof, the passing of which is necessary to consummate the Contemplated Transactions, shall have expired. Without limiting the foregoing, Buyer shall have received approval from the Illinois Commerce Commission of (i) tariffs, to be effective as of the Closing Date, and (ii) a certificate of public convenience and necessity authorizing Buyer to provide sewer services to the customers located within the boundaries of Seller's city limits;

(e) Closing Deliveries. Seller shall have delivered to Buyer the Closing Deliveries set forth in Section 2.7(a);

(f) Due Diligence. Buyer shall be satisfied, in its sole and absolute discretion, with the results of its due diligence review of the Business, the Assets and the Seller, including without limitation, satisfaction with the results of any environmental assessment performed with respect to the Real Property or the Assets;

(g) No Adverse Change. Buyer has determined that there has not been any adverse change in the Business, the Assets, financial condition or business prospects of Seller and that there is no adverse change in the relationships maintained by Seller with its employees, suppliers, customers or Governmental Authorities;

(h) Installation of Main. Buyer shall have completed the installation of all water mains necessary to operate the water distribution system; and

(i) Board Approval. Buyer shall have obtained approval of the Contemplated Transactions by Buyer's board of directors.

5.2 Conditions Precedent to Obligations of Seller. The Seller's obligation to consummate the Contemplated Transactions is subject to the satisfaction in full, unless expressly waived in writing by Seller, of each of the following conditions:

(a) Representations and Warranties. Each of the representations and warranties of Buyer contained in Article 4 is true, correct and accurate as of the date of this Agreement and as of the Closing Date shall be true, correct and accurate as though restated on and as of such date (except in the case of any representation and warranty that by its terms is made as of a date specified therein, which shall be accurate as of such date);

(b) Covenants. Buyer shall have performed and complied with all covenants required by this Agreement to be performed or complied with by Buyer prior to or at the Closing;

(c) Proceedings. No Order shall be in effect and no Proceeding by any Person shall be threatened or pending before any Governmental Authority or before any arbitrator wherein an unfavorable Order would: (i) prevent consummation of the Contemplated Transactions; or (ii) have a likelihood of causing the Contemplated Transactions to be rescinded following consummation; and

(d) Closing Deliveries. The Buyer shall have delivered to Seller the Closing Deliveries set forth in Section 2.7(b).

5.3 All Reasonable Efforts. Seller will use commercially reasonable efforts to satisfy each of the conditions for Closing of the Buyer set forth in Section 5.1 above and the Buyer will use commercially reasonable efforts to satisfy each of the conditions for Closing of Seller set forth in Section 5.2 above.

ARTICLE 6
Covenants and Special Agreements

6.1 Certain Covenants of All Parties Prior to Closing.

(a) Each party shall ensure that all Confidential Information which such party or any of its respective officers, directors, employees, counsel, agents, or accountants may now possess or may hereafter create or obtain relating to the financial condition, results of operations, business, properties, assets, liabilities or future prospects of the other party, any Related Person of the other party or any customer or supplier of such other party or any such Related Person shall not be published, disclosed or made accessible by any of them to any other person or entity at any time or used by any of them, in each case without the prior written consent of the other party; provided, however, that the restrictions of this sentence shall not apply (i) as may otherwise be required by law, (ii) to the extent such Confidential Information shall have otherwise become publicly available, and (iii) as to Buyer, to disclosure by or on its behalf to regulatory authorities or other third parties whose consent or approval may be required to consummate the Contemplated Transactions and to its lenders and professionals for the purpose of obtaining financing of such transactions.

In the event of termination of negotiations or failure of the Contemplated Transactions to close for any reason whatsoever, each party promptly will destroy or deliver to the other party and will not retain any documents, work papers and other material (and any reproductions thereof) obtained by each party or on its behalf from such other party or its subsidiaries as a result of this proposal or in connection therewith, whether so obtained before or after the execution hereof, and will not use any information so obtained and will cause any information so obtained to be kept confidential and not used in any way detrimental to such other party.

Notwithstanding anything in this Section 6.1(a) to the contrary, each party hereto agrees that each party may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the proposed transaction and all materials of any kind (including opinions or other analyses) that are provided to such party or such person relating to such tax treatment and tax structure. This authorization is not intended to permit disclosure of any other information including, without limitation, (i) any portion of any materials to the extent not related to the tax treatment or tax structure of the transaction, (ii) the identities of participants or potential participants in the transactions contemplated hereby, (iii) the existence or status of any negotiations, (iv) any pricing or financial information, except to the extent such pricing or financial information is related to the tax treatment or tax structure of the proposed transaction, or (v) any other term or item of information not relevant to the tax treatment or the tax structure of the proposed transaction.

(b) Publicity; Announcements. From the date hereof through and including the Closing Date, no party hereto shall issue, cause or permit the publication by any of their respective Related Persons, agents or representatives, any press release or other public announcement with respect to this Agreement or the Contemplated Transactions except: (i) with the consent of the other parties hereto (which shall not be unreasonably withheld); or (ii) as required by applicable Law (including, without limitation, any applicable securities Law). Seller will not, without the prior consent of Buyer, make any announcements to employees of Seller with respect to the Contemplated Transactions and, at such time as an announcement to the employees is made, Buyer shall be allowed to participate in such announcement. It is hereby acknowledged that the parties will discuss the Contemplated Transactions with their respective financial and legal advisors and such discussions shall not be deemed to violate the provisions of this Section 6.1.

(c) Cooperation. Any notices or certifications given under this Agreement or any related agreement shall be given in good faith without any intention to unfairly impede or delay the other party. Buyer and Seller shall cooperate fully with each other and their respective counsel and accountants in connection with any actions required to be taken as part of their respective obligations under this Agreement including, without limitation, actions required to be taken with respect to obtaining any applicable regulatory approval of the Contemplated Transactions and Buyer and Seller shall execute such other documents as may be necessary and desirable to the implementation and consummation of

this Agreement. Each party agrees to use all reasonable efforts to consummate the Contemplated Transactions including, without limitation, doing all things reasonably necessary to obtain the requisite regulatory approval.

(d) Certain Notifications. At all times prior to the Closing Date, each party agrees to promptly notify the others in writing of the occurrence of any event which will result in the failure of any of the conditions contained in Article 5 to be satisfied.

(e) No Inconsistent Action. No party shall take any action inconsistent with its respective obligations under this Agreement or any of the Contemplated Transactions.

6.2 Covenants of Seller Prior to Closing. Seller covenants and agrees that during the period from the date hereof until Closing, except with the prior consent of Buyer:

(a) Non-Solicitation. Unless and until such time as this Agreement is terminated pursuant to Article 8, Seller shall not, and will cause each officer, director and agent not to, directly or indirectly: (i) submit, solicit, initiate, encourage or discuss any proposal or offer from any Person relating to any sale of all or any portion of the Assets or a sublease or assignment of any lease or any similar transaction involving Seller and the Business or the Assets; (ii) enter into any agreement or commitment related to any such transaction; or (iii) furnish any information with respect to or assist or participate in or facilitate in any other manner any effort to attempt by any Person to do or seek any of the foregoing. Seller shall notify Buyer immediately if any Person makes any proposal, offer, inquiry or contact with respect to any of the foregoing.

(b) Access. Between the date of this Agreement and the Closing Date, and upon reasonable prior notice by Buyer, Seller shall: (i) furnish Buyer and its financial and legal advisors with copies of all such Contracts, books and records and other existing documents and data as Buyer may reasonably request; (ii) furnish Buyer and its financial and legal advisors with such additional financial, operating and other data and information as Buyer may reasonably request; (iii) permit Buyer or its representatives to conduct such physical inspections and environmental audits of the Real Property, as requested by Buyer; and (iv) permit Buyer or its representatives to conduct interviews of employees of Seller. Seller shall deliver to Buyer up to date personnel files at least five (5) Business Days prior to Closing.

(c) Ordinary Course. Seller shall carry on the operation of the Business in the ordinary course of business, consistent with prior practice, not introduce any materially new method of management or operation, use their reasonable efforts to preserve the Business and conserve the goodwill and relationships of Seller's customers, suppliers, Governmental Authorities and others having business relations with it and continue to operate the Business during the normal business hours consistent with past practice. Seller shall not engage in any activity or transaction during the term of this Agreement which is inconsistent with the terms of this Agreement.

(d) Employees; Compensation. Seller shall not increase the compensation or rate of compensation payable or to become payable to any employee of Seller and will not pay, declare or set aside any bonus to the aforementioned and Seller shall not adopt any agreement or plan with respect to compensation, whether direct or indirect, other than those currently in existence.

(e) Liens; Encumbrances. Seller shall not enter into or assume any mortgage, pledge, security agreement or other title retention agreement or permit any Encumbrance to attach to any of the Assets, whether now owned or hereafter acquired.

(f) Further Covenants.

(i) Reports. Seller shall duly and timely file all reports required to be filed with any Governmental Authority and will promptly pay when due all Taxes, assessments and governmental charges including interest and penalties levied or assessed, unless diligently contested in good faith by appropriate Proceedings;

(ii) Condition of Property. Consistent with past practice, Seller shall maintain and keep the Assets in substantially the same condition as of the date hereof, normal wear and tear excepted;

(iii) Insurance. Seller shall maintain in full force and effect all policies of insurance now in effect;

(iv) No Breach or Default of Contracts. Seller shall not do any act or omit any act or permit any omission to act which will cause a breach or default by Seller of any Contract;

(v) Supplies. Seller shall keep supplies at a level which is sufficient to operate the Business in accordance with past practice;

(vi) Contracts. Seller shall not enter into any Contract other than in the ordinary course of business; and

(vii) Related Person Transactions. Seller shall not enter into any transaction with any Related Person.

6.3 Certain Post-Closing Covenants of Seller.

(a) Seller shall pay in a timely manner all Taxes resulting from or payable in connection with the sale of the Assets pursuant to this Agreement, regardless of the Person on whom such Taxes are imposed.

(b) Seller shall pay, or make adequate provisions for the payment, in full of all of the Retained Liabilities and other Liabilities of Seller under this Agreement.

(c) Seller hereby agrees to cooperate with Buyer to ensure a proper transition of all customers with respect to billing and customer service activities.

(d) Seller hereby acknowledges that Buyer must comply with all provision of its tariffs as filed with and approved by the Illinois Commerce Commission, and Seller agrees that such tariffs shall preempt any ordinances in effect in the Village.

(e) Contemporaneously with the Closing, Seller shall take all actions necessary to cause the wells currently providing water to the Business to be disconnected from the Assets. Such actions shall be undertaken so as to be in compliance with all applicable Laws. As soon as possible thereafter, and in any event within one year after Closing, Seller shall cause the wells to properly capped, in accordance with all Laws. All such actions shall be at Seller's sole cost and expense. Seller shall have the sole responsibility for removing the treatment facilities currently used from service and closure of such treatment facilities.

**ARTICLE 7
Indemnification**

7.1 Survival; Right to Indemnification Not Affected by Knowledge. All representations, warranties, covenants and obligations of Seller given in this Agreement and/or any Transaction Document delivered pursuant to this Agreement shall survive the Closing. The right to indemnification, payment of Damages or other remedy based on such representations, warranties, covenants and obligations will not be affected by any investigation conducted with respect to or any Knowledge acquired (or capable of

being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant or obligation. The waiver of any condition based on the accuracy of any representation or warranty or on the performance of or compliance with any covenant or obligation will not affect the right to indemnification, payment of Damages or other remedy based on such representations, warranties, covenants and obligations.

7.2 Indemnification and Payment of Damages by Seller.

(a) Seller hereby unconditionally, irrevocably and absolutely agrees to fully pay, protect, defend, indemnify and hold harmless Buyer and Buyer's past, present and future officers, directors, shareholders, employees, agents, attorneys, representatives, successors and assigns (collectively referred to throughout the Agreement as the "Indemnified Persons), from any and all manner of actions, suits, debts, sums of money, interest owed, accounts, controversies, agreements, charges, damages, judgments, executions, and reasonably incurred costs, expenses, fees (including reasonable attorneys' fees and court costs), counterclaims, claims, demands, causes of action, liabilities and losses and award all other Liabilities incurred, paid or sustained by any of the foregoing (hereinafter referred to in this Agreement as "Damages"), in each case, arising out of, or caused by: (i) the misrepresentation, breach of warranty or nonfulfillment of any provision of this Agreement by Seller or; (ii) all Liabilities and/or duties of Seller, whether accruing prior to or after the Effective Time, and any Encumbrance affecting the Assets; (iii) assessments, charges and other similar claims due or owing, directly or indirectly, by Seller or otherwise as a result of on account of the Assets or the Business at any time prior to the Effective Time; (iv) the ownership and/or operation of any of the Assets or the Business prior to the Effective Time; (v) any claim or Proceeding now existing or hereafter arising and relating to the Assets or the Business of Seller and arising from events or matters occurring prior to the Effective Time; and (vi) any claim by an employee of Seller for any severance payment or arising out of such employee's employment with Seller or under the Worker Adjustment and Retraining Notification Act, COBRA (Sections 601 through 608 of the Employee Retirement Income Security Act of 1974), or under any employee benefit plan or employment Contract to which Seller is a party.

(b) The indemnification set forth in Section 7.2(a) shall be subject to any maximum Damages allowed under appropriate theories of sovereign immunity.

7.3 Indemnification and Payment of Damages by Seller - Environmental Matters. In addition to the provisions of Section 7.2, Seller hereby unconditionally, irrevocably and absolutely agrees to fully pay, protect, defend, indemnify and hold harmless the Indemnified Persons, and will pay to the Indemnified Persons the amount of any Damages (including costs of Cleanup, containment or other remediation) arising, directly or indirectly, from or in connection with:

(a) Any Environmental, Health and Safety Liabilities arising out of or relating to: (i) (A) the ownership, operation or condition at any time on or prior to the Effective Time of the Assets and/or the Real Property or any other properties and assets (whether real, personal or mixed and whether tangible or intangible) in which Seller has or had an interest; or (B) any Hazardous Materials or other contaminants that were present on the Real Property or such other properties and assets at any time on or prior to the Effective Time; or (ii) (A) any Hazardous Materials or other contaminants, wherever located, that were, or were allegedly, generated, transported, stored, treated, Released or otherwise handled by Seller or by any other Person for whose conduct it is or may be held responsible at any time on or prior to the Effective Time; or (B) any Hazardous Activities that were, or were allegedly, conducted by Seller or by any other Person for whose conduct it is or may be held responsible on or prior to the Effective Time; or

(b) Any bodily injury (including illness, disability and death), personal injury, property damage (including trespass, nuisance, wrongful eviction and deprivation of the use of real property) or other damage of or to any Person, including any employee or former employee of Seller or any other Person for whose conduct is or may be held responsible, in any way arising from or allegedly arising from any Hazardous Activity conducted or allegedly conducted with respect to the Assets or the Real Property by Seller prior to the Effective Time, or from Hazardous Material that was: (i) present or suspected to be present on or before the Effective Time on or at the Real Property (or present or suspected to be present

on any other property, if such Hazardous Material emanated or allegedly emanated from any of the Real Property and was present or suspected to be present on any of the Real Property on or prior to the Effective Time); or (ii) Released or allegedly Released by Seller or any other Person for whose conduct it is or may be held responsible, at any time on or prior to the Effective Time.

Buyer and Seller shall jointly be entitled to control any Cleanup, any related Proceeding and, except as provided in the following sentence, any other Proceeding with respect to which indemnity may be sought under this Section 7.3. The procedure described in Section 7.3 will apply to any claim solely for monetary damages relating to a matter covered by this Section 7.3.

7.4 Indemnification By Buyer. Buyer hereby unconditionally, irrevocably and absolutely agrees to fully pay, protect, defend, indemnify and hold harmless Seller and Seller's past, present and future officers, trustees, directors, employees, agents, attorneys, representatives, successors and assigns from any and all Damages arising out of, or caused by: (i) Buyer's misrepresentation, breach of warranty or nonfulfillment of any provision of this Agreement; (ii) any claim or Proceeding arising after the Effective Time and relating to events or matters occurring subsequent to the Effective Time; and (iii) any Claim by an employee of Buyer arising out of such employee's employment with Buyer.

7.5 Procedure for Indemnification. The procedure for indemnification shall be as follows:

(a) The party claiming indemnification (the "Claimant") shall promptly give notice to the party from whom indemnification is claimed (the "Indemnifying Party") of any claim, whether between the parties or brought by a third party, specifying: (i) the factual basis for such claim; and (ii) the amount of the claim. If the claim relates to a Proceeding filed by a third party against Claimant, Claimant shall give such notice within ten (10) Business Days after written notice of such Proceeding was given to Claimant. Claimant's failure to give the Indemnifying Party such notice shall not preclude Claimant from obtaining indemnification from the Indemnifying Party unless Claimant's failure has materially prejudiced the Indemnifying Party's ability to defend the claim or litigation, and then the Indemnifying Party's obligation shall be reduced to the extent of such prejudice.

(b) Following receipt of notice from the Claimant of a claim, the Indemnifying Party shall have thirty (30) days to make such investigation of the claim as the Indemnifying Party deems necessary or desirable. For the purposes of such investigation, the Claimant agrees to make available to the Indemnifying Party and/or its authorized representatives the information relied upon by the Claimant to substantiate the claim. If the Claimant and the Indemnifying Party agree at or prior to the expiration of said thirty (30) day period (or any mutually agreed upon extension thereof) to the validity and amount of such claim, the Indemnifying Party shall immediately pay to the Claimant the full amount of the claim. If the Claimant and the Indemnifying Party do not agree within said period (or any mutually agreed upon extension thereof), the Claimant may seek appropriate legal remedy.

(c) (i) With respect to any claim by a third party as to which the Claimant asserts it is entitled to indemnification hereunder, the Indemnifying Party shall have the right, at its own expense, to participate in or at its election to assume control of the defense of such claim, with counsel reasonably satisfactory to Claimant, subject to reimbursement of Claimant for actual out-of-pocket expenses incurred by Claimant as the result of request by the Indemnifying Party, subject to the following:

(A) The Claimant may retain separate co-counsel at its sole cost and expense and participate in the defense of any such claim by a third party; and

(B) The Indemnifying Party shall conduct the defense of the third party claim actively and diligently thereafter.

(ii) If the Indemnifying Party elects to assume control of the defense of any third party claim pursuant to Section 7.5(c)(i), the Indemnifying Party may nevertheless reserve the right to dispute the amount of indemnification claimed or dispute Claimant's right to be indemnified with respect to all or any portion of the claim. Except with the written consent of the Claimant, the Indemnifying Party shall not, in defending any claim or any litigation resulting therefrom, consent to entry of any judgment or

enter into any settlement which does not release the Claimant from all liability in respect of such claim or litigation. In the event the Claimant fails to consent to any settlement or compromise which such failure results in damages in excess of the amount for which consent was requested, the limitation of the Indemnifying Party's obligations to indemnify the Claimant with respect to the subject matter of the claim shall be the amount of the proposed settlement or compromise rejected by Claimant and the Claimant shall be responsible for, and shall hold harmless the Indemnifying Party from, all damages (including, without limitation, reasonable attorney's fees incurred with respect to matters subsequent to the rejection of the settlement by Claimant) in excess of the amount of the proposed settlement or compromise rejected by Claimant.

(d) If a claim, whether between the parties or by a third party, requires immediate action, the parties will make every effort to reach a decision with respect thereto as expeditiously as possible.

(e) All amounts paid pursuant to this Article 7 by one party to the other party shall be treated by such parties as adjustments to the Purchase Price.

ARTICLE 8 Termination

8.1 Termination and Abandonment. This Agreement may be terminated and abandoned at any time prior to the Closing Date:

(a) by mutual written consent of Buyer and Seller;

(b) by Buyer, if any of the conditions set forth in Section 5.1 have not been complied with or performed and such noncompliance or nonperformance has not been cured or eliminated (or by its nature cannot be cured or eliminated) by Seller within five (5) Business Days following the effective date of an order approving the Contemplated Transactions by the Illinois Commerce Commission;

(c) by Seller, if the conditions set forth in Section 5.2 have not been complied with or performed and such noncompliance or nonperformance has not been cured or eliminated (or by its nature cannot be cured or eliminated) by Buyer within five (5) Business Days following the effective date of an order approving the Contemplated Transactions by the Illinois Commerce Commission; or

(d) by either party, if the Illinois Commerce Commission does not approve the Contemplated Transactions by December 31, 2006 or such other later date as mutually agreed upon by the parties.

8.2 Effect of Termination. The right of each party to terminate this Agreement under Section 8.1 is in addition to any other rights such party may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 8.1, all further obligations of the parties under this Agreement will terminate, except that the obligations set forth in Sections 6.1(a) ("Confidentiality"); 9.9 ("Legal Fees; Costs"); and all other covenants and agreements which by their terms continue after the termination of this Agreement will survive; provided, however, that if this Agreement is terminated by a party because of the breach of the Agreement by another party or because one (1) or more of the conditions to the terminating party's obligations under this Agreement is not satisfied as a result of the other party's failure to comply with its obligations under this Agreement, the terminating party's right to pursue all legal remedies will survive such termination unimpaired.

ARTICLE 9 General Provisions

9.1 Amendment and Modification. No amendment, modification, supplement, termination, consent or waiver of any provision of this Agreement, nor consent to any departure therefrom, will in any event be effective unless the same is in writing and is signed by the parties. Any waiver of any provision

of this Agreement and any consent to any departure from the terms of any provision of this Agreement is to be effective only in the specific instance and for the specific purpose for which given.

9.2 Assignments. Seller may not assign or transfer any of its rights or obligations under this Agreement to any other Person without the prior written consent of Buyer. Buyer may assign its rights and obligations under this Agreement to any Related Person or successor in interest without the consent of Seller.

9.3 Captions. Captions contained in this Agreement and any table of contents preceding this Agreement have been inserted herein only as a matter of convenience and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof.

9.4 Counterparts. This Agreement may be executed by the parties hereto on any number of separate counterparts, and all such counterparts so executed constitute one agreement binding on all the parties hereto notwithstanding that all the parties hereto are not signatories to the same counterpart.

9.5 Entire Agreement. This Agreement and the other Transaction Documents constitute the entire agreement among the parties hereto pertaining to the subject matter hereof and supersede all prior agreements, letters of intent, understandings, negotiations and discussions of the parties hereto, whether oral or written, including without limitation that certain Term Sheet, dated September 23, 2005, executed by the parties.

9.6 Exhibits and Schedules. All of the Exhibits and Schedules attached to this Agreement are deemed incorporated herein by reference.

9.7 Failure or Delay. Except as otherwise provided by this Agreement, no failure on the part of any party hereto to exercise, and no delay in exercising, any right, power or privilege hereunder operates as a waiver thereof; nor does any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. No notice to or demand on any party hereto in any case entitles such party to any other or further notice or demand in similar or other circumstances.

9.8 Governing Law. This Agreement and the rights and obligations of the parties hereunder are to be governed by and construed and interpreted in accordance with the Laws of the State of Illinois applicable to contracts made and to be performed wholly within Illinois, without regard to choice or conflict of laws rules. In the event of any litigation or claim regarding this Agreement, the venue for such action shall be in Champaign County, Illinois.

9.9 Legal Fees, Costs. All legal, consulting and advisory fees and other costs and expenses incurred in connection with this Agreement and the Contemplated Transactions are to be paid by the party incurring such costs and expenses.

9.10 Notices. All notices, consents, requests, demands and other communications hereunder are to be in writing and are deemed to have been duly given, made or delivered: (i) when delivered in person, (ii) three (3) days after deposited in the United States mail, first class postage prepaid, (iii) in the case of telegraph or overnight courier services, one (1) business day after delivery to the telegraph company or overnight courier service with payment provided, or (iv) in the case of telex or telecopy or facsimile, when sent, verification received, in each case addressed as follows:

if to Seller:

Attn: Village President
Village of Pesotum, Illinois
103 E. Lincoln Street
Pesotum, Illinois 61863

With a copy to (which shall not constitute notice):

Guy C. Hall, Esq.
215 North Neil Street
Champaign, Illinois 61820-4012

if to Buyer:

Attn: District Manager
Illinois-American Water Company
201 Devonshire
Champaign, Illinois 61826-9018

with a copy to (which shall not constitute notice):

Attn: General Counsel
American Water – Central Region
727 Craig Road
St. Louis, Missouri 63141

or to such other address as any party hereto may designate by notice to the other parties in accordance with the terms of this Section.

9.11 Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction is, as to such jurisdiction, ineffective to the extent of any such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof, or affecting the validity, enforceability or legality of such provision in any other jurisdiction, unless the ineffectiveness of such provision would result in such a material change as to cause completion of the Contemplated Transactions to be unreasonable.

9.12 Specific Performance and Injunctive Relief. The parties hereto recognize that if any or all of them fail to perform, observe or discharge any of their respective obligations under this Agreement, a remedy at law may not provide adequate relief to the other parties hereto. Therefore, in addition to any other remedy provided for in this Agreement or under applicable Law, any party hereto may demand specific performance of this Agreement, and such party shall be entitled to temporary and permanent injunctive relief, in a court of competent jurisdiction at any time when any of the other parties hereto fail to comply with any of the provisions of this Agreement applicable to such party. To the extent permitted by applicable Law, all parties hereto hereby irrevocably waive any defense based on the adequacy of a remedy at law which might be asserted as a bar to such party's remedy of specific performance or injunctive relief.

9.13 Successors and Assigns. Subject to Section 9.2, all provisions of this Agreement are binding upon, inure to the benefit of and are enforceable by or against the parties hereto and their respective heirs, executors, administrators or other legal representatives and permitted successors and assigns.

9.14 No Third-Party Beneficiary. This Agreement is solely for the benefit of the parties hereto and their respective successors and permitted assigns, and no other Person has any right, benefit, priority or interest under, or because of the existence of, this Agreement.

[The remainder of this page is intentionally left blank. The next page is the signature page.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

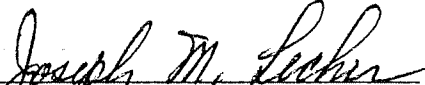
Buyer

ILLINOIS-AMERICAN WATER COMPANY

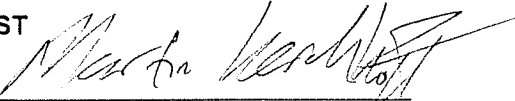
By: 
Terry L. Gloriod, President

Seller

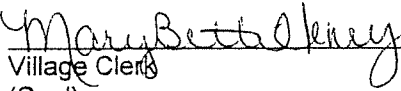
VILLAGE OF PESOTUM, ILLINOIS

By: 
~~Timothy Lecher, Village President, Pro Tem~~
Joseph M. Lecher

ATTEST


Secretary
(Seal)

ATTEST


Village Clerk
(Seal)

SCHEDULE 1
Definitions

"Assets" as defined in Section 2.1.

"Adjustment Amount" as defined in Section 2.8.

"Agreement" as defined in the introductory paragraph.

"Assignment and Assumption Agreement" as defined in Section 2.7(a)(ii).

"Assumed Contracts" as defined in Section 2.1(c).

"Assumed Liabilities" as defined in Section 2.4.

"Bill of Sale" as defined in Section 2.7(a)(i).

"Business" as defined in the Recitals.

"Business Days" means any day other than (i) Saturday or Sunday, or (ii) any other day on which governmental offices in the State of Illinois are permitted or required to be closed.

"Buyer" as defined in the introductory paragraph.

"Claimant" as defined in Section 7.5(a).

"Closing" as defined in Section 2.6.

"Closing Date" as defined in Section 2.6.

"Confidential Information" means (i) information not available to the general public concerning the business and financial affairs with respect to a party hereto, and (ii) analyses, compilations, forecasts, studies and other documents prepared on the basis of such information by the parties or their agents, representatives, any Related Person, employees or consultants.

"Consent" means any approval, consent, ratification, waiver or other authorization.

"Contemplated Transactions" means all of the transactions contemplated by this Agreement and the Transaction Documents.

"Contract" means any agreement, contract, obligation, promise or undertaking (whether written or oral and whether express or implied), whether or not legally binding.

"Damages" as defined in Section 7.2.

"Effective Time" as defined in Section 2.6.

"Employee Plans" means any plan, program, arrangement, practice or Contract that provides benefits or compensation to or on behalf of employees or former employees, including such plans governed by the Employee Retirement Income Security Act.

"Encumbrance" means any charge, claim, community property interest, condition, easement, equitable interest, lien, mortgage, option, pledge, security interest, right of first refusal, right of way, servitude or restriction of any kind, including any restriction on use, transfer, receipt of income or exercise of any other attribute of ownership, or any repayment obligation under any grant.

"Environment" means soil, land surface or subsurface strata, surface waters (including navigable waters, ocean waters, streams, ponds, drainage basins and wetlands), groundwater, drinking water

supply, stream sediments, ambient air (including indoor air), plant and animal life and any other environmental medium or natural resource.

"Environmental, Health and Safety Liabilities" means any cost, damages, expense, liability, obligation or other responsibility arising from or under Environmental Law or Occupational Safety and Health Law and consisting of or relating to:

(a) Any environmental, health or safety matters or conditions (including on-site or off-site contamination, occupational safety and health and regulation of chemical substances or products);

(b) Fines, penalties, judgments, awards, settlements, legal or administrative proceedings, damages, losses, claims, demands and response, investigative, remedial or inspection costs and expenses arising under Environmental Law or Occupational Safety and Health Law;

(c) Financial responsibility under Environmental Law or Occupational Safety and Health Law for cleanup costs or corrective action, including any investigation, cleanup, removal, containment or other remediation or response actions ("Cleanup") required by applicable Environmental Law or Occupational Safety and Health Law (whether or not such Cleanup has been required or requested by any Governmental Authority or any other Person) and for any natural resource damages; or

(d) Any other compliance, corrective, investigative or remedial measures required under Environmental Law or Occupational Safety and Health Law.

The terms "removal," "remedial," and "response action," include the types of activities covered by the United States Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq., as amended ("CERCLA").

"Environmental Law" means any Law that requires or relates to:

(a) Advising appropriate authorities, employees and the public of intended or actual releases of pollutants or hazardous substances or materials, violations of discharge limits or other prohibitions and of the commencements of activities, such as resource extraction or construction, that could have significant impact on the Environment;

(b) Preventing or reducing to acceptable levels the release of pollutants or hazardous substances or materials into the Environment;

(c) Reducing the quantities, preventing the release or minimizing the hazardous characteristics of wastes that are generated;

(d) Assuring that products are designed, formulated, packaged and used so that they do not present unreasonable risks to human health or the Environment when used or disposed of;

(e) Protecting resources, species or ecological amenities;

(f) Reducing to acceptable levels the risks inherent in the transportation of hazardous substances, pollutants, oil or other potentially harmful substances;

(g) Cleaning up pollutants that have been released, preventing the threat of release or paying the costs of such clean up or prevention; or

(h) Making responsible parties pay private parties, or groups of them, for damages done to their health or the Environment, or permitting self-appointed representatives of the public interest to recover for injuries done to public assets.

"Excluded Assets" as defined in Section 2.2.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Governmental Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, applied on a basis consistent with prior periods.

"Governmental Authority(ies)" means any:

- (a) Nation, state, county, city, town, village, district or other jurisdiction of any nature;
- (b) Federal, state, local, municipal, foreign or other government;
- (c) Governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official or entity and any court or other tribunal);
- (d) Multi-national organization or body; or
- (e) Body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.

"Hazardous Activity" means the distribution, generation, handling, importing, management, manufacturing, processing, production, refinement, Release, storage, transfer, transportation, treatment or use (including any withdrawal or other use of groundwater) of Hazardous Materials in, on, under, about or from the Facilities or any part thereof into the Environment, and any other act, business, operation or thing that increases the danger or risk of danger, or poses an unreasonable risk of harm to persons or property on or off the Facilities, or that may affect the value of the Facilities or Seller.

"Hazardous Materials" means any waste or other substance that is listed, defined, designated or classified as, or otherwise determined to be, hazardous, radioactive or toxic or a pollutant or a contaminant under or pursuant to any Environmental Law, including any admixture or solution thereof, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials.

"Indemnifying Party" as defined in Section 7.5(a).

"Knowledge" means an individual will be deemed to have "Knowledge" of a particular fact or other matter if:

- (a) Such individual is actually aware of such fact or other matter; or
- (b) A prudent individual could be expected to discover or otherwise become aware of such fact or other matter in the course of conducting a reasonable investigation concerning the existence of such fact or other matter.

A Person (other than an individual) will be deemed to have "Knowledge" of a particular fact or other matter if any individual who is a shareholder or serving as a director or officer of such Person (or in any similar executive capacity) has, or at any time had, Knowledge of such fact or other matter.

"Law" means any law, rule, regulation or ordinance of any federal, foreign, state or local Governmental Authority.

"Liability" with respect to any Person any liability or obligation of such Person for any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise and whether or not the same is required to be accrued on the financial statements of such Person.

"Occupational Safety and Health Law" means any Law designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, and any program, whether governmental or private (including those promulgated or sponsored by industry associations and insurance companies), designed to provide safe and healthful working conditions.

"Order" means any award, decision, injunction, judgment, order, ruling, subpoena or verdict entered, issued, made or rendered by any court, administrative agency or other Governmental Authority or by any arbitrator.

"Organizational Documents" means the articles or certificate of incorporation and the bylaws of a corporation and any amendment thereto.

"Permit" means any approval, consent, license, permit, waiver or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Law.

"Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union or other entity or Governmental Authority.

"Proceeding" means any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, investigative or informal) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Authority or arbitrator.

"Purchase Price" as defined in Section 2.3.

"Real Property" as defined in Section 3.4.

"Records" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

"Related Person" with respect to a particular individual, means:

- (a) Each other member of such individual's Family;
- (b) Any Person that is directly or indirectly controlled by such individual or one or more members of such individual's Family;
- (c) Any Person in which such individual or members of such individual's Family hold (individually or in the aggregate) a Material Interest; and
- (d) Any Person with respect to which such individual or one or more members of such individual's Family serves as a director, officer, partner, executor or trustee (or in a similar capacity).

With respect to a specified Person other than an individual:

- (e) Any Person that directly or indirectly controls, is directly or indirectly controlled by, or is directly or indirectly under common control with such specified Person;
- (f) Any Person that holds a Material Interest in such specified Person;
- (g) Each Person that serves as a director, officer, partner, executor or trustee of such specified Person (or in a similar capacity);
- (h) Any Person in which such specified Person holds a Material Interest;
- (i) Any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity); and

(j) Any Related Person of any individual described in clause (b) or (c).

For purposes of this definition, (i) the "Family" of an individual includes (A) the individual, (B) the individual's spouse and former spouses, (C) any other natural person who is related to the individual or the individual's spouse within the second degree, and (D) any other natural person who resides with such individual; and (ii) "Material Interest" means direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of voting securities or other voting interests representing at least five percent (5%) of the outstanding equity securities or equity interests in a Person.

"Release" means any spilling, leaking, emitting, discharging, depositing, escaping, leaching, dumping or other releasing into the Environment, whether intentional or unintentional.

"Seller" shall have the meaning given that term in the introductory paragraph and for purposes of this Agreement and all other documents executed in connection herewith, shall include any Subsidiary of Seller.

"Tax" means all taxes, charges, withholdings, fees, levies, penalties, additions, interest or other assessments, including, without limitation, income, gross receipts, excise, property, sales, employment, withholding, social security, occupation, use, service, service use, license, payroll, franchise, transfer and recording taxes, fees and charges, windfall profits, severance, customs, import, export, employment or similar taxes, charges, fees, levies or other assessments, imposed by any Governmental Authority, whether computed on a separate, consolidated, unitary, combined or any other basis.

"Tangible Personal Property" means all machinery, equipment, tools, furniture, office equipment, computer hardware, supplies (including chemicals and spare parts), materials, vehicles and other items of tangible personal property of every kind owned or leased by Seller (wherever located and whether or not carried on Seller's books), together with any express or implied warranty by the manufacturers or sellers or lessors of any item or component part thereof, and all maintenance records and other documents relating thereto.

"Transaction Documents" means this Agreement, the Bill of Sale, the Assignment and Assumption Agreement and all other documents, certificates, assignments and agreements executed and/or delivered in connection with this Agreement in order to consummate the Contemplated Transactions, as the same may be amended, restated, modified or otherwise replaced by mutual agreement from time to time.

"Utility Plant in Service" means, as of the date of determination, the total amount of capital assets used in the Business, net of depreciation and net of any applicable grants, as calculated based on financial statements prepared pursuant to GAAP.

Rules of Construction

For purposes of this Agreement and the other documents executed in connection herewith, the following rules of construction shall apply, unless specifically indicated to the contrary: (i) wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter; (ii) the term "or" is not exclusive; (iii) the term "including" (or any form thereof) shall not be limiting or exclusive; (iv) all references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations; (v) all references in this Agreement or in the Schedules to this Agreement to sections, schedules, exhibits and attachments shall refer to the corresponding sections, schedules, exhibits and attachments of or to this Agreement; and (vi) all references to any instruments or agreements, including references to any of the documents executed in connection herewith, shall include any and all modifications or amendments thereto and any and all extensions or renewals thereof.

LEASE

THIS LEASE ("Lease") is made and entered into as of the 25th day of April, 2006, by and between the VILLAGE OF PESOTUM, an Illinois municipal corporation, hereinafter called "Lessor", and ILLINOIS-AMERICAN WATER COMPANY, an Illinois public utility corporation, hereinafter called "Lessee".

WITNESSETH:

WHEREAS, the Lessee and Lessor have contemporaneously executed that certain Asset Purchase Agreement ("Purchase Agreement") whereby Lessee acquired the Water Properties (as defined in the Purchase Agreement) from Lessor; and

WHEREAS, Lessor and Lessee are desirous of entering into a lease of the premises hereinafter described upon the terms and conditions hereinafter set forth so that Lessee may provide potable water to Lessor's residents;

NOW, THEREFORE, the Lessor and the Lessee, for and in consideration of the rents, covenants, and agreements hereinafter mentioned and other good and valuable consideration hereby agreed to be paid, kept, and performed by said Lessor and Lessee, their successors and permitted assigns, do hereby mutually agree as follows:

1. LEASED PREMISES. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, that parcel of land located in the Village of Pesotum, County of Champaign, State of Illinois, as legally described follows:

Tract A – The East 60.00 feet of that part of the Northeast ¼ of the Southeast 1/4 of Section 22, Township 17 North, Range 8 East of the Third Principal Meridian, which lies North of Fletcher's Addition to Pesotum as recorded in the Recorders Office of Champaign County, Illinois, and Fletcher's Second Addition to Pesotum as recorded in the Recorders Office of Champaign County, Illinois, and which lies South of Charles Lieb Subdivision as recorded in the Recorders Office of Champaign County, Illinois, and which lies East of the extended West line of the aforesaid Fletcher's Second Addition, except streets and Highways, all situated in Champaign County, Illinois.

P.I.N 18-32-22-427-019

as depicted on Exhibit A, which is attached hereto and incorporated herein by this reference (the "Land"); and the improvements thereon, being a 50,000 gallon elevated water storage tank, its support structure and appurtenances (collectively the "Tank")(the Land, Tank, its support structure and appurtenances shall be collectively referred to as the "Premises").

2. LEASE TERM. This term of this Lease shall commence on the Closing Date (as defined in the Purchase Agreement) and continue through the fifth anniversary of the Closing Date unless sooner terminated as herein provided (the "Term"). This Lease shall automatically

renew for five (5) year terms unless one party gives notice to the other of its intent not to renew within one hundred eighty (180) days prior to the expiration of the then current Term.

3. RENT. Lessee agrees to pay Lessor an annual amount equal to (a) One Thousand Nine Hundred Ninety Nine and NO/100 Dollars (\$1,999.00) for the lease of the Land, and (b) One and NO/100 Dollar (\$1.00) for the lease of the Tank, for an aggregate annual payment of Two Thousand and NO/100 Dollars (\$2,000.00) ("Annual Rent Amount"). The Annual Rent Amount shall be payable annually, in advance, and shall be made at the address specified in Section 15 hereof.

4. USE OF PREMISES.

(a) Lessee may use and occupy the Premises for the installation, operation, and maintenance of public water supply facilities and any purpose that is not prohibited by law or ordinance. Lessee shall not use or occupy nor permit the Premises or any part thereof to be used nor occupied for any unlawful business, use, or purpose, nor for any business, use, nor purpose deemed disreputable or extra-hazardous, nor for any purpose or in any manner which is in violation of any present or future governmental laws or regulations.

(b) Lessee shall, at its sole cost and expense, arrange for all necessary utility service and shall pay all fees or charges related to this Lease. Lessor shall not be liable for any loss or damage caused by or resulting from any variation, interruption, or failure of utility service due to any cause whatsoever; and no temporary interruption or failure of such utilities and services incident to the making of repairs, alterations, improvements, or due to accident, strike, or conditions or events beyond Lessor's reasonable control shall be deemed as an eviction of Lessee or relieve Lessee from any of Lessee's obligations hereunder.

5. MAINTENANCE AND REPAIRS.

(a) Lessee agrees to keep the Premises as now or hereafter constituted with all improvements made thereon and thereto in such good repair, order, and condition, external and internal, structural or otherwise, as the same are or may be put in during the Term or any renewal or extension, normal wear and tear excepted, and will keep the same in such condition in order to comply from time to time with all laws, ordinances, or regulations of all public authorities. Lessee shall, at its sole cost and expense (except for any insurance proceeds received by Lessor), make all repairs, replacements, and renewals, whether ordinary or extraordinary, seen or unforeseen, including all structural repairs, necessary to maintain the Premises. All repairs, replacements, and renewals shall be in accordance with industry standards. Lessor shall, in no event, be required to make any repairs, replacements, or renewals to the Premises. Notwithstanding the preceding sentence, in the event that Lessor receives insurance proceeds on the Premises, said amount shall be used to pay any and all repairs, replacements, renewals and/or damages to the extent of such proceeds.

(b) Notwithstanding the preceding paragraph, should Lessee, at any time during the Term, determine in its sole judgment that the public water system would be better served by constructing a new water storage facility on a new site other than the Premises, rather than maintaining or repairing the one existing as of the date hereof on the Premises, Lessee shall cause the

Tank located on the Premises to be dismantled, removed, and disposed of in accordance with all applicable laws and regulations, upon completion of an alternative water storage facility and thereafter immediately terminate this Lease and return the Premises, in a vacant condition, to the Lessor. In the event Lessee elects to construct an alternate or additional storage facility on the Premises, the Annual Rent Amount due hereunder with respect to the Tank shall cease, but the Annual Rent Amount and all other provisions of this Lease with respect to the Land shall continue in full force and effect.

(c) Lessor shall mow the Land at reasonable and appropriate times during the months of March through October at a cost of \$800.00 payable by Lessee to Lessor with payment of \$100.00 due on the first day of each month for the period set forth herein.

6. ALTERATIONS. Lessee shall have the right, from time to time, to make all such alterations, additions, or improvements in or to, and decorations of, the Premises as shall be reasonably necessary or appropriate in the Lessee's judgment for Lessee's use of the Premises; provided that any such alterations, additions, and/or improvements shall be made at Lessee's sole cost and expense. Lessee shall secure all governmental permits required in connection with such work and shall indemnify and hold Lessor harmless from any and all liability and liens resulting therefrom. Lessee shall remove all trade fixtures within one hundred eighty (180) days following termination or expiration of this Lease. Lessee understands that the Premises are subject to a lease of space for wireless internet service. Notwithstanding the preceding two sentences, Lessee specifically disclaims, and shall not be deemed to have, any obligations under said lease and shall have no obligation to remove any antenna or other component relating the wireless internet service which is installed on or about the Premises. In the event that the Tank is to be dismantled or otherwise disposed of pursuant to Section 5(b), Lessee shall have no obligation to provide any alternative tower structure to such wireless internet service entity for purposes of reinstalling its equipment and components that had been installed on the Tank.

7. DAMAGE OR DESTRUCTION.

(a) Lessor shall keep the Tank insured against loss or damage in an amount equal to the full insurable value as determined from time to time, and shall also insure the Premises for general casualty, including bodily injury with limits of not less than \$1,000,000 through a reputable insurer generally doing business in Champaign County, Illinois. Lessee shall be named as an additional insured on such policy(ies), and Lessor shall provide written evidence of such insurance upon execution of this Lease. Lessee shall reimburse Lessor for premiums relating to such policies. Lessee shall have the right, at any time, to provide insurance coverage through its own underwriter and eliminate the obligation of Lessor to provide the coverage stated herein.

(b) Lessor and Lessee, and all parties claiming under them, hereby mutually release and discharge each other from all claims and liabilities arising from or caused by any hazard covered by insurance in connection with property or activities conducted on the Premises, regardless of the cause of the damage or loss. This release shall be in effect only so long as the applicable insurance policies provide that this release shall not affect the right of full recovery under such policies.

(e) In the event the Premises are damaged by fire or other casualty, the Annual Rent Amount shall not abate during the period required for the making of repairs. However, should the Premises be completely destroyed by fire or other casualty, or should they be damaged to such an extent that the damage cannot reasonably be repaired within ninety (90) days of the occurrence, then Lessee shall have the option to terminate this Lease, and Lessee shall notify Lessor, within thirty (30) days after the happening of such damage, whether Lessee has elected to continue or terminate the Lease. If Lessee shall elect to continue this Lease, it shall commence and prosecute, with reasonable diligence, any work necessary to restore or repair the Premises, but there shall be no abatement of the Annual Rent Amount during the period required for the making of repairs or restoration or to the date of termination of the Lease, if Lessee shall elect not to restore the Premises. Furthermore, in the event Lessee elects not to repair and restore the Tank (or Premises), it shall nevertheless dismantle, remove, and properly dispose of the Tank.

8. ASSIGNMENT - SUBLEASE. Lessee may assign or transfer this Lease and any interests herein, to an affiliate or successor of Lessee. Any reorganization, consolidation, or liquidation to which Lessee may be a party shall constitute a permitted assignment or transfer of this Lease, for purposes of this paragraph. A collateral assignment by Lessee is likewise permitted hereunder.

9. QUIET ENJOYMENT. Lessee, upon paying the Annual Rent Amount and observing the covenants and terms of this Lease, shall and may lawfully and quietly hold and enjoy the Premises during the term hereof without hindrance or interruption from Lessor, its successors in interest, or assigns.

10. EMINENT DOMAIN. Lessor's ability to institute eminent domain as to the Premises shall be subject to Lessee's rights hereunder. If, however, the entire Premises shall be taken by any other public or governmental authority under the power of eminent domain, the term of this Lease shall cease as of the date possession is taken by such authority and the Annual Rent Amount shall be paid up to that date. Any Annual Rent Amount paid in advance shall be refunded, pro rata, to the Lessee. If only a part of the Premises shall be taken and the remainder remains tenantable for the purposes for which Lessee has been using the Premises, then this Lease shall continue in effect, except that the Annual Rent Amount due shall be reduced in proportion to the amount of the Premises, in terms of square feet, so taken. All damages awarded for such taking may be retained by Lessor, whether such damage is awarded as compensation for diminution of the value of the leasehold or to the fee of the Premises, but Lessor shall not be entitled to any portion of the award made to Lessee for cost of removal of stock and trade fixtures. The term "eminent domain", as used herein, shall include the exercise of any similar governmental power, including condemnation and/or quick take, and the purchase or other acquisition in lieu thereof.

11. COMPLIANCE WITH LAWS AND REGULATIONS. Lessee, at its sole expense, shall comply with all laws, orders and regulations of federal, state, and municipal authorities, and with any direction of any public officer, pursuant to law, which shall impose any duty upon Lessor or Lessee with respect to the Premises. Lessee, at its sole expense, shall obtain all licenses or permits which may be required for the making of repairs, alterations, improvements, or

additions to the Premises, and Lessor, where necessary, will join with Lessee in applying for all such permits and licenses.

12. TAXES. During the Term of this Lease, Lessee shall be responsible for payment of all real estate taxes, if any, on the Premises prorated for any portion of an assessed year during which this Lease may begin or terminate.

13. SURRENDER AND HOLDING OVER. Within a reasonable period of time after the expiration or termination of the Term, unless properly renewed, Lessee shall peaceably and quietly surrender the Premises to Lessor with the Tank dismantled, removed and disposed of as Lessor at its sole option requests, and in such event, in a vacant condition, unless Lessee has purchased the Premises from Lessor.

14. OPTION TO PURCHASE. Commencing on the first anniversary of this Lease, either party shall have the option to require a sale of the Tank from the Lessor to the Lessee for a price of Five Hundred Dollars (\$500.00). In the event a party elects to exercise such option, it shall give one hundred eighty (180) days notice to the other party of the intent to exercise the option. In such event, Lessor shall provide a current title commitment to Lessee, within thirty (30) days following notice being given that the option is being exercised. Lessee shall have thirty (30) days after receipt of such title commitment to object to any exception, encumbrance or encroachment to title, which objection shall not be unreasonably made, based upon then current practice in Champaign County, Illinois. Lessor shall thereafter have sixty (60) days to cure any defect of title. If Lessor cannot cure any such defect, Lessee shall have the option to continue to lease the Premises under the terms hereof; or to waive such title defect and purchase the Tank in accordance with the option granted in this Section 14. Closing of a purchase and sale of the Tank under this Section 14 shall take place at such time and place within the one hundred eighty (180) day period following notice of the exercise of the option as the parties may agree, which agreement shall not be unreasonably withheld. Upon closing of the purchase and sale of the Tank under this Section, this Lease shall continue in accordance with the provisions hereof with respect to the Land.

15. NOTICES. All notices hereunder may be delivered in person or mailed. If mailed, notice shall be sent by certified or registered mail to the following respective addresses:

To Lessor: Village of Pesotum
Attention: President
103 E. Lincoln Street
Pesotum, IL 61863

With a copy to: Dobbins, Fraker, Tennant, Joy & Perlstein, P.C.
Attention: Guy C. Hall
215 N. Neil
Champaign, IL 61820

To Lessee: Illinois-American Water Company
Attention: Network Manager
201 Devonshire Drive

Champaign, IL 61826

With a copy to: Illinois-American Water Company
Regional General Counsel
727 Craig Road
St. Louis, Missouri 63141

or to such other respective address as either party may hereafter, from time to time, designate in writing in accordance herewith. Notices sent by mail shall be deemed to have been given when sent by certified or registered United States mail, return receipt requested. A copy of such notice shall be sent by regular U.S. mail.

16. SUCCESSORS AND ASSIGNS. All the terms, conditions, covenants, and agreements of this Lease shall extend to and be binding upon Lessor, Lessee, and their permitted successors and assigns, and upon any person, firm, or corporation coming into ownership or possession of any interest in the Premises by operation of law or otherwise, and shall be construed as covenants running with the land.

17. GRAMMATICAL USAGE. Masculine, feminine, or neuter pronouns shall each include the other, and plural terms shall be substituted for singular and singular for plural in any place in which the context or facts so requires.

18. ENTIRE AGREEMENT. This Lease, the Purchase Agreement and the Franchise Agreement contain the entire agreement between the parties and cannot be changed or terminated orally but may only be altered or amended by an agreement in writing and signed by the parties hereto.

19. SEVERABILITY. If any provision of this Lease shall be declared invalid or unenforceable, the remainder of this Lease shall continue in full force and effect.

20. HEADINGS AND CAPTIONS. The paragraph headings herein contained are inserted only as a matter of convenience and for reference and in no way define, limit, or describe the scope or intent of this agreement, or in any way affect the terms and provisions hereof.

21. GOVERNING LAW AND VENUE. This Lease has been executed in the State of Illinois, and the validity, construction and enforcement of this Lease shall be governed by the laws of the State of Illinois. Venue for the purpose of any legal action related hereto shall be in Champaign County, Illinois.

22. RECORDATION. This Lease may be recorded. In the event Lessee so chooses, Lessor shall execute a Memorandum of Lease, which may be recorded in lieu of this entire agreement.

[Remainder of page blank; signature page follows.]

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

Lessor

Village of Pesotum, Illinois

By: Joseph M. Lecher
Name: Joseph M. Lecher
Title: Village President Pro-Tem

Lessee

Illinois-American Water Company

By: Terry L. Gloriod
Terry L. Gloriod, President

ATTEST

MaryBeth Henry
Village Clerk
(Seal)

ATTEST

Martin Kerdhoff
Secretary
(Seal)

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is made and entered into as of the 25th day of April, 2006 by and between the **Village of Pesotum**, an Illinois municipal corporation (the "Village"), and **Illinois-American Water Company**, an Illinois public utility corporation (the "Water Company").

RECITALS

WHEREAS, the Village owns and operates its own municipal water system; and

WHEREAS, the Board of Trustees of the Village (the "Board") have determined that it would be in the best interests of the citizens of the Village for it to enter into agreements to sell and lease certain portions of its water system and otherwise enter into a franchise agreement for the provision of potable water within the Village; and

WHEREAS, the Board has determined that the Water Company, which provides water treatment, storage and distribution services to many communities including Champaign County, Illinois, is the most suitable entity with which to enter into such transactions and agreements; and

WHEREAS, the Board has passed an ordinance approving the execution of an asset purchase agreement, lease and franchise agreement with the Water Company; and

WHEREAS, this Agreement memorializes the terms and conditions of the franchise, which have been mutually agreed upon by the Village and the Water Company.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, the Village and Water Company do mutually covenant and agree as follows:

SECTION ONE: In consideration of the covenants contained herein, and for other and further advantages accruing to the Village there is hereby given and granted to Water Company, its successors and assigns, the right, privilege, authority, license, and permission to construct, install, operate, repair, replace, remove, and maintain in and through the Village a potable water supply and distribution system and to construct, install, operate, repair, replace, remove, and maintain all such facilities as may be necessary and convenient for such potable water system, in, upon, along, over, across, and under the public ways and public property in the Village for a term of forty (40) years from and after the effective date of this Agreement. The rights set forth herein shall be subject to such other terms and conditions as are otherwise set forth in this Agreement, and the rights of any other utility, person or entity currently having rights,

licenses, easements or franchises in or about the public ways of the Village. Such potable water system shall be used, inter alia, for the purpose of supplying water in the Village for domestic, public, manufacturing, and other purposes, and to transport water through said Village to other municipalities and unincorporated areas where services may now or hereafter be furnished by means of the existing distribution system and transmission mains or as the same may be hereafter extended, enlarged, replaced, relocated, or paralleled by additional mains from time to time hereafter.

SECTION TWO: The Village hereby contracts with the Water Company to take from said company all water required for municipal purposes. The Village agrees to pay for all such water at the rates approved, from time to time, by the Illinois Commerce Commission ("Commission").

SECTION THREE: It is understood that a separate fire protection district ("FPD") exists and provides fire protection service in the Village. Water Company agrees the FPD may request fire hydrants as deemed necessary for public fire protection and that installation of such hydrants and services requested by the FPD will be installed under the rules and regulations of the Water Company as now in effect and approved by the Illinois Commerce Commission and the regulations of the Illinois Environmental Protection Agency, as such rules and regulations may be lawfully modified in the future. The Village or FPD, as the case may be, are hereby granted the use of water without any charge or expense to either of them from fire hydrants located in the public ways for the purpose of fire suppression and practice, testing of fire apparatus, periodic uses, including without limitation, re-lining of sewers, the flushing of public gutters, sewers and streets, and testing, street sweeping and emergency responses. The Village may from time to time and at any time, inspect or cause fire hydrants to be inspected, and if any are found to be in disrepair or not in good, effective working order, the Water Company shall be notified by the Village in writing of the location of any such fire hydrant, and upon receipt of such notice, the Water Company shall restore or repair such hydrant to effective working order as soon as reasonably possible. The Village shall notify the Water Company in advance of when the Village is going to inspect fire hydrants, including which fire hydrants are being inspected and the dates the inspection will be performed. The Water Company may have a representative present at the time of any such inspection.

SECTION FOUR: Upon the annexation of any territory to the Village, the portion of the Water Company's facilities that may be located within such annexed territory and in, under, or upon the streets, alleys, or public ways, shall thereafter be subject to all the terms of this franchise grant.

SECTION FIVE: The Village will not permit or allow the public fire hydrants erected in its streets and public right-of-ways to be used for any purpose other than extinguishments of fires, necessary and proper testing of its firefighting equipment, and

necessary washing or flushing of sewers, and gutters; and the Village will take all necessary steps and adopt any ordinances which it determines are necessary to protect and afford protection to the property of the Water Company located within the Village. Except for emergency purposes, when water is used for the purposes expressly stated in this Section, the approval of the fire chief of the FPD for the use of the hydrant or hydrants shall first be obtained and the Water Company shall be notified of the time, place, estimated volume of water to be used, and the person employed by the Village or FPD who will be conducting each such use. No unauthorized person may use the hydrants for any purpose. Within one (1) calendar month of the approved usage, Village or FPD will advise the Water Company of the volume of water used.

SECTION SIX: In the event that the Water Company causes an opening in any street or right-of-way within the Village during the operation of the water system, the Water Company will repair or replace the street or right-of-way at its expense and shall place the paving or other surface back in substantially the same condition as prior to such opening as expediently as reasonably possible upon considering all relevant factors, including without limitation weather conditions. The Water Company agrees to notify the Village in advance of the opening of any such street or right-of-way for non-emergency repairs or maintenance to the water system and will apply for all required permits prior to initiation of any such street or right-of-way openings. Subject to Section 15, the Village shall not adopt any ordinance or other fee schedule which would impose fees upon the Water Company for the privilege granted hereby of utilizing such streets and right-of-ways for the purposes of public water service. The Water Company shall provide the Village with a list of all such openings which have been made in the prior calendar month no later than the tenth day of the immediately following month. The Water Company shall not unreasonably obstruct the public ways of the Village or private ways including private drives in connection with any of the work undertaken. Furthermore, the Water Company shall maintain such barriers, signs, and warning signals as may be reasonably necessary to avoid injury or damage to life and property and as otherwise provided for in the Manual of Uniform Traffic Control Devices of the State of Illinois, as such manuals may, from time to time be in effect, or any successor provisions.

SECTION SEVEN: Any person or corporation shall not be permitted, and the Village shall not grant to any person or corporation, the right to install, extend, or maintain any water, gas, telephone, sewer, or other system, or any pipes, mains, conduits, or wires, so as to injure, damage, or interfere with the water system, pipes, hydrants, or mains of the Water Company; the Village shall not vacate or convey away any rights-of-way containing Water Company facilities without the Water Company's prior approval or reservation of an easement providing a right to construct, operate, maintain, extend, or replace its facilities, and no person or corporation shall be permitted or granted the right to interfere in any way with any of the rights granted hereunder to the Water Company to construct, operate, install, extend, maintain, or replace its water system or use the streets, avenues, alleys, parks, and other public

places as provided herein.

SECTION EIGHT: The Village shall adopt no ordinances in conflict herewith for the term of this Agreement.

SECTION NINE: The Water Company and the Village recognize that communication of planned improvements or maintenance of infrastructure is beneficial to each party and to the residents of the Village. To that end, the parties shall meet at least once each year during the first quarter thereof to discuss their respective plans in order to coordinate, to the extent possible, any such construction activities. At the annual meeting, the Company will provide a summary of the immediately preceding year's activities affecting the water facilities. In furtherance of communication during emergency situations, each party shall also provide to the other a list of contact telephone numbers or other contact information which will allow either party to contact a representative of the other twenty four (24) hours per day, three hundred sixty five (365) days per year.

SECTION TEN: Any waiver of any provision of this Agreement and any consent to any departure from the terms of any provision of this Agreement is to be effective only in the specific instance and for the specific purpose for which given. No failure on the part of any party hereto to exercise, and no delay in exercising, any right, power or privilege hereunder operates as a waiver thereof; nor does any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. No notice to or demand on any party hereto in any case entitles such party to any other or further notice or demand in similar or other circumstances.

SECTION ELEVEN: The Water Company shall render efficient services, make repairs promptly, and interrupt service only for good cause and for the shortest time practicable. Such service shall be in accordance with industry standards and all applicable laws and regulations. It shall provide and maintain operational telephone numbers such that the Water Company's supervisory personnel can be reached directly (not through a call center) in the event of an emergency on a twenty-four (24) hour per day, three hundred, sixty-five (365) days per year basis. Such numbers shall be provided to all METCAD, the FPD and President of the Board of Trustees, and shall be updated promptly upon any changes.

SECTION TWELVE: The Water Company shall inform the Village whenever there is a planned maintenance or construction project that has a significant impact on the water system. The Water Company shall notify the Village if it changes any treatment technique that impacts the chemical qualities of the water distributed by the Water Company through its system serving the Village.

SECTION THIRTEEN: The Village shall permit the Water Company to abandon any underground franchise property in place so long as such property does not interfere

with the use of the streets or public rights-of-way in or at which such property is located or with the use thereof by any public utility, other entity or person, and the Water Company shall notify and provide the Village with suitable maps and other documents, which shall identify the location of the abandoned property.

SECTION FOURTEEN: The Water Company shall maintain the water tank and structure located within the Village according to its standards and the requirements of the Illinois Commerce Commission; provided that the name Pesotum continue to be displayed and if the tank is repainted, then the name Pesotum shall be painted and displayed upon the tank in such a fashion as to readily identify the location thereof within the Village with the lettering of the name "Pesotum" displayed at least as prominently in size as the name of the Water Company.

SECTION FIFTEEN: The Water Company shall collect and process all gross receipts tax or any other surcharge of any kind levied or imposed by any appropriate taxing jurisdiction, including without limitation the Village's municipal utility tax in effect from time to time. In the event that the Village should change or add any additional tax or surcharge, the Village shall give the Water Company at least sixty (60) days notice of such change or addition.

SECTION SIXTEEN: This Agreement shall, to the extent now or hereafter permitted by statutes, laws and regulations of the State of Illinois, inure to the benefit of and be binding upon any municipality or other unit of state or local government in or to which the Village may hereafter be included, attached or annexed or into which it may be incorporated, and shall also inure to the benefit of and be binding upon the successors and assigns of the Water Company as provided herein. The Water Company shall have the right at any time to assign the entire Agreement to any public utility corporation organized under the laws of the State of Illinois or authorized to engage in public utility business within the State of Illinois or to any other person, firm, or corporation authorized or empowered to own and/or operate a water utility business within the corporate limits of the Village.

SECTION SEVENTEEN: If any provision of this Agreement, or the application of such provision to particular circumstances, shall be held invalid, the remainder of this Agreement, or the application of such provision to circumstances other than those as to which it is held invalid, shall not be affected thereby.

SECTION EIGHTEEN: Any notice required under this Agreement to be served upon the Village or the Water Company shall be in writing and served by either (a) certified mail, return receipt requested; (b) personal service; or (c) a national over-night carrier service, addressed to each of the Parties as follows or to such other address as the Village or Water Company may hereafter furnish in writing to the other Party:

Village of Pesotum, Illinois:

The Water Company:

President, Board of Trustees
Village of Pesotum
P.O. Box 200
Pesotum, IL 61863

Network Operations Manager
Illinois-American Water Company
201 Devonshire Drive
Champaign, IL 61820

With a copy to (which shall not
constitute notice):

General Counsel
American Water – Central Region
727 Craig Road
St. Louis, Missouri 63141

SECTION NINETEEN: The provisions herein constitute the complete agreement between the Village and the Water Company. All acts, ordinances, and parts of acts heretofore passed inconsistent with this Agreement are hereby repealed.

SECTION TWENTY: The Water Company and the Village respectively agree that certain confidential and proprietary information relating to the operations, business, properties and assets of the water system (collectively, "Confidential Information") may be exchanged between the parties in order to comply with this Agreement. The Village hereby acknowledges that maintaining the confidence of this information is imperative to the security of the water system. To that end, the parties hereby agree to maintain the Confidential Information in confidence, giving it the same degree of care, but no less than a reasonable degree of care, as the parties exercise with their own confidential or proprietary information. Neither party, without the prior written consent of the other party (which may be withheld in such other party's sole discretion), will disclose any portion of the Confidential Information to others, except to their employees, attorneys, agents, consultants or contractors having a need to know in order to accomplish the purpose of this Agreement and who are bound by a like obligation of confidentiality under this Agreement; provided, however, that the restrictions of this sentence shall not apply (a) as may otherwise be required by law, (b) to the extent necessary for regulatory purposes, including without limitation, the requirements of the Illinois Commerce Commission, and (c) to the extent such information shall have otherwise become publicly available.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

Village of Pesotum, Illinois

By: Joseph M. Lecher
Name: Joseph M. Lecher
Title: Village President Pro-Tem

Illinois-American Water Company

By: Terry L. Gloriod
Terry L. Gloriod, President

ATTEST

Mary Beth Henry
Village Clerk
(Seal)

ATTEST

Martin Weidstoff
Secretary
(Seal)

VILLAGE OF PESOTUM

ORDINANCE NO. 06-1

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5th day of April, 2006

Marybeth Henry
Village Clerk