

GILMORE & BELL

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

816-221-1000
FAX: 816-221-1018
WWW.GILMOREBELL.COM

2405 GRAND BOULEVARD, SUITE 1100
KANSAS CITY, MISSOURI 64108-2521

ST. LOUIS, MISSOURI
WICHITA, KANSAS
LINCOLN, NEBRASKA

June 23, 2010

Ms. Diane Stoddard
Assistant City Manager
City of Lawrence
6 East 6th Street
Lawrence, Kansas 66044

Re: Proposed Issuance of City of Lawrence, Kansas Industrial Revenue Bonds for Bowersock Mills & Power Company to be designated as Qualified Energy Conservation Bonds and/or Recovery Zone Facilities Bonds

Dear Diane:

The purpose of this engagement letter is to set forth certain matters concerning the services we will perform as bond counsel to the City of Lawrence (the "Issuer") in connection with the issuance of the above-referenced bonds (the "Bonds"). We understand that the Bonds are being issued for the purpose of financing the construction and equipping of a hydroelectric power plant (the "Project") for the benefit of Bowersock Mills & Power Company, and that the Bonds will be limited obligations of the Issuer, payable solely from revenues received from Bowersock Mills & Power Company (the "Tenant") under a lease of the Project from the Issuer. At this time, the Issuer and the Tenant are still exploring potential options for the issuance of bonds, including whether the Bonds may be designated a Qualified Energy Conservation Bonds and/or Recovery Zone Facilities Bonds, and the Tenant is still working to identify a purchaser or purchasers of the Bonds.

SCOPE OF ENGAGEMENT

In this engagement, we expect to perform the following duties:

1. We will review legal issues relating to the structure of the bond issue; including issues related to designation of the bonds as Qualified Energy Conservation Bonds and/or Recovery Zone Facilities Bonds.
2. We will work with the Issuer and the Tenant to communicate with the Kansas Department of Commerce regarding the application for an allocation of Qualified Energy Conservation Bonds and/or Recovery Zone Facilities Bonds.
3. Drafting the resolution of intent to be adopted by the Issuer.
4. If requested, attending any meetings of the Issuer at which the resolution of intent or the issuance of the Bonds is considered.

Our duties at this engagement are limited to those expressly set forth above. If the Issuer and the Tenant determine that Bonds will be issued, we will work with the Issuer and the Tenant to revise the scope of our engagement and the legal fees to be charged to reflect the type of bonds to be issued and the structure of the transaction.

ATTORNEY-CLIENT RELATIONSHIP

Upon acceptance of this engagement letter, the Issuer will be our client, and an attorney-client relationship will exist between us. We understand that the Issuer's city attorney also has been engaged by the Issuer to review all transaction documents on behalf of the Issuer, and provide advice to the Issuer's governing body regarding same, and to review all proceedings of the Issuer leading to the authorization of the Bonds. We assume that all other parties, including the Tenant, will retain such counsel as they deem necessary and appropriate to represent their interests in this transaction. We further assume that all other parties understand that in this transaction we represent only the Issuer; we are not counsel to the Tenant, or any other party, and we are not acting as intermediary between the parties. Our services as bond counsel are limited to those contracted for herein; the Issuer's acceptance of this engagement letter will constitute an acknowledgment of those limitations.

As you are aware, our firm represents many political subdivisions and entities involved in bond transactions, primarily underwriters or other bond purchasers, trustees, issuers, or credit enhancement providers. It is possible that during the time that we are representing the Issuer in this engagement, one or more of our present or future clients will have transactions with the Issuer. It is also possible that we may be asked to represent, in an unrelated matter, one or more of the entities involved in the issuance of the Bonds. We do not believe such representation, if it occurs, will adversely affect our ability to represent you as provided in this letter, either because such matters will be sufficiently different from the issuance of the Bonds so as not to make such representations adverse to our representation of you, or because the potential of such adversity is remote or minor and is outweighed by the consideration that it is unlikely that advice given to the other client will be relevant to any aspect of the issuance of the Bonds. Execution of the acceptance of this letter will signify the Issuer's consent to our representation of others consistent with the circumstances described in this paragraph.

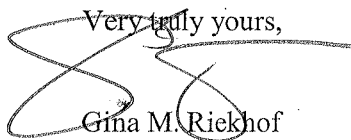
FEES

Although the Issuer will be our sole client, the Tenant will be responsible for paying our legal fees. We have sent a letter to the Tenant regarding our fees.

RECORDS

At your request, papers and property furnished by you will be returned promptly upon receipt of payment for outstanding fees and expenses advanced. Our own files, including lawyer work product, pertaining to the transaction will be retained by us. For various reasons including the minimization of unnecessary storage expenses, we reserve the right to dispose of any documents or other materials retained by us after the termination of the engagement.

If the foregoing terms are acceptable to you, please indicate by returning a copy of this engagement letter dated and signed by an authorized officer, *retaining a copy for your files*. We look forward to working with you.

Very truly yours,

Gina M. Riekhof

GMR:jac

Ms. Diane Stoddard
June 23, 2010
Page 3

Accepted and approved:

CITY OF LAWRENCE, KANSAS

By: _____

Name: _____

Title: _____

Date: _____

cc: Toni Wheeler, City Attorney
Sarah Hill-Nelson, Bowersock Mills & Power Company