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Filed Date: 03/30/2018
State Corporation Commission
of Kansas

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Missouri Public
Service Commission
BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of The Empire District
Electric Company, a Liberty Utilities Company, for
Authorization to Refinance Empire's \$90 Million of First
Mortgage Bonds Maturing June 1, 2018, by Entering into
a Intercompany Promissory Note Issued to Liberty
Utilities Corp., in the Amount of \$90 Million)
)
) Docket No. 18-EPDE-422-SEC
)
)
)

APPLICATION

The Empire District Electric Company, a Liberty Utilities Company (hereinafter "Empire"), pursuant to K.S.A. 66-125, files its application to the Kansas Corporation Commission (hereinafter "Commission"), for authorization to issue the securities described below.

1. Empire is a Kansas corporation with its principal office and place of business at 602 S. Joplin Avenue, Joplin, Missouri 64801. Empire is incorporated in and is conducting business in Kansas and is qualified to conduct business in the states of Missouri, Arkansas and Oklahoma, and is engaged generally, in the business of generating, purchasing, transmitting, distributing and selling electric energy in portions of said states. Empire's Kansas operations are subject to the jurisdiction of the Commission.

2. All communications, notices, orders and decisions respecting this application and proceedings should be addressed to:

Mark T. Timpe
Director, Treasury
Liberty Utilities (Missouri)
The Empire District Electric Company
602 S. Joplin Avenue, P. O. Box 127
Joplin, Missouri 64802
mark.timpe@libertyutilities.com

James G. Flaherty
Anderson & Byrd, LLP
216 S. Hickory ~ P.O. Box 17
Ottawa, Kansas 66067
jflaherty@andersonbyrd.com

OPC Exhibit No. 14
Date 6/27/19 Reporter SA
File No. A0-2018-0179

3. Empire has previously filed with the Commission certified copies of Empire's Restated Articles of Incorporation and amendments thereto.

4. Empire intends to refinance its existing \$90 million first mortgage bonds, maturing June 1, 2018, by entering into an intercompany promissory note in the amount of \$90 million with Liberty Utilities Corp. ("Intercompany Promissory Note"). The Intercompany Promissory Note will be issued the later of June 1, 2018, or the date the Commission issues its Order and Certificate approving said securities issuance. The Intercompany Promissory Note is non amortizing and will be unsecured. It will be issued for a 15-year term. The price of the Intercompany Promissory Note will be at a fixed rate of interest equal to the then current yield of the 15-year U.S. Treasury bond, on the pricing date, plus a credit spread of 160 basis points. The credit spread is based on the average credit spread paid by Liberty Utilities Corp. for its 10-year and 20-year private placement bonds issued on March 24, 2017 used to complete its funding for the Empire acquisition. This is the most recent capital market financing conducted by Liberty Utilities Corp.

5. Upon closing of the new Intercompany Promissory Note, Empire will pay Liberty Utilities Co. a debt issuance fee equal to \$450,000, which equates to the same 0.50% debt placement fee level paid by Liberty Utilities Co. for its March 24, 2017, private debt placement noted above. This is also the same fee level paid by Empire for its last issuance of first mortgage bonds on August 20, 2015.

6. A copy of the Intercompany Promissory Note will be filed as a late-filed exhibit to this Application and is incorporated herein by reference. A form of the Promissory Note is attached herein as Exhibit A.

7. Filed as Exhibit B and attached hereto and made a part hereof for all purposes is

information regarding Empire's capital stock outstanding, all of which is owned by Liberty Utilities Co., long term indebtedness and short-term indebtedness and other financial information including financial statements with adjustments showing the proforma effect on indebtedness authorized and outstanding of the proposed issuance of the \$90 million Intercompany Promissory Note and the retirement of the \$90 million first mortgage bonds, maturing June 1, 2018. The information contained in Exhibit B has been designated as confidential pursuant to K.S.A. 66-1220a and K.A.R. 82-1-221a. The information is non-public financial information that if disclosed to the public could result in financial harm to the utility.

8. As indicated above, the purpose for entering into the \$90 million Intercompany Promissory Note is to refinance Empire's existing \$90 million first mortgage bonds, maturing on June 1, 2018.

9. Filed as Exhibit C and attached hereto and made a part hereof for all purposes is a certified copy of the resolutions of Empire's Board of Directors which generally authorize the transactions which are the subject of this application and authorize the filing of this application.

WHEREFORE, Empire requests an order be issued by this Commission pursuant to K.S.A. 66-125 authorizing Empire to:

(a) enter into the \$90 million Intercompany Promissory Note with Liberty Utilities Corp. for the purpose of refinancing Empire's existing \$90 million First Mortgage Bonds maturing June 1, 2018. The Intercompany Promissory Note will be issued the later of June 1, 2018, or the date the Commission issues its Order and Certificate approving said securities issuance. The Intercompany Promissory Note is non-amortizing and will be unsecured. It will be issued for a 15-year term. The price of the Intercompany Promissory Note will be at a fixed rate of interest equal to the then current yield of the 15-year U.S. Treasury bond, on the pricing date, plus a credit spread of 160 basis points. The credit spread is based on the weighted average credit spread of Liberty Utilities Corp.'s 10-year and 20-year private

placement bonds, issued on March 24, 2017, to complete its funding for the Empire acquisition. This is the most recent capital market financing conducted by Liberty Utilities Corp.;

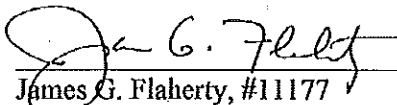
(b) pay to Liberty Utilities Co., upon entry into the Intercompany Promissory Note, a debt placement fee equal to \$450,000 or 0.50% of the principal amount of the Intercompany Promissory Note.; and

(c) take such other action as may be reasonably necessary to complete the subject transaction.

THE EMPIRE DISTRICT ELECTRIC COMPANY
a Liberty Utilities Company

By: _____

David R. Swain


 _____

James G. Flaherty, #11177
ANDERSON & BYRD, LLP
216 S. Hickory ~ P.O. Box 17
Ottawa, Kansas 66067
(785) 242-1234, telephone
(785) 242-1279, facsimile
jflaherty@andersonbyrd.com

Attorneys for The Empire District Electric
Company, a Liberty Utilities Company

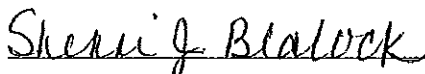
STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

David R. Swain, having been duly sworn, upon his oath, states that he is President of Liberty Utilities' Central Region, which includes the Applicant, The Empire District Electric Company, and as such, is duly authorized to execute the Application and make this affidavit on its behalf; that the matters and things stated in the foregoing Application and exhibits thereto are true and correct to the best of his knowledge, information and belief.



David R. Swain

SUBSCRIBED AND SWORN to before me this 29 day of March, 2018.



Notary Public

Commission/Appointment Expires: Nov. 16, 2018

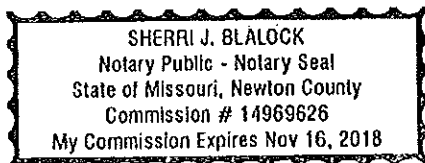


EXHIBIT A

PROMISSORY NOTE

Date: _____, 2018

The Empire District Electric Company., a corporation duly organized under the laws of the State of Kansas (herein called the "**Company**", which term includes any successor or resulting Person), for value received, hereby promises to pay to Liberty Utilities Co., or registered assigns (the "**Holder**"), the principal sum of \$90,000,000.00 United States Dollars on _____, 2033, and to pay interest thereon from the date hereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on June 1 and December 1 in each year, commencing December 2018, ("**Interest Payment Date**") at the rate of ____% per annum, until the principal hereof is paid or made available for payment; and at the rate of the greater of (i) ____%, plus 2.0% or (ii) 2% over the rate of interest publicly announced by J.P. Morgan Securities LLC from time to time in New York, New York as its "base" or "prime" rate, payable semi-annually as aforesaid (or, at the option of the registered holder hereof, on demand) on any overdue principal and premium and on any installment of interest (to the extent payment of such interest is legally enforceable). Interest on this Note will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Payment of the principal of (and premium, if any) and any such interest on this Note will be made at the office or agency of the Company in the United States of America, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts or subject to any laws or regulations applicable thereto; and *provided, however*, that payment of interest may be made by wire transfer of immediately available funds to an account maintained by the payee at a financial institution in the United States (so long as Company has received proper transfer instructions in writing by the record date prior to the applicable Interest Payment Date).

This Note is a general, unsecured, obligation of the Company.

The Company may prepay the whole or any part of the amount outstanding under this Note; *provided that* any such prepayment shall be at the Prepayment Price equal to 100% of the principal amount so prepaid, and the Make-Whole Amount determined for the Prepayment Date with respect to such principal amount plus accrued and unpaid interest, if any, to the Prepayment Date.

Notice of any prepayment by the Company will be given not less than two (2) days before any Prepayment Date to the Holder.

Unless the Company defaults in payment of the Prepayment Price, on and after any Prepayment Date for this Note, interest will cease to accrue on this Note or portion hereof called for prepayment.

In the event of prepayment of this Note in part only, a new Note of like tenor for the unpaid portion hereof will be issued in the name of the holder hereof upon the cancellation hereof.

It is expressly provided that, in the event that principal and interest payments are not made to the Holder when due, the Holder shall have the right to demand, and the Company shall have the obligation to immediately pay to the Holder, the unpaid balance of any principal and unpaid accrued interest outstanding under this Note, together with the Make-Whole Amount determined for the date fixed for such demand payments. Instead of demanding payment, the Holder may, in its sole discretion, require that the Company provide collateral in the form of cash, letters of credit, or other collateral which may be acceptable to the Holder in its sole discretion, acting commercially reasonably.

The Holder may also demand that this Note be prepaid by the Company in the event of a change of control, or sale of the substantive assets, of the Company.

Failure of the Holder to exercise a right under this Note does not constitute a waiver of such right under this Note.

The Company hereby waives demand, presentment for payment, notice of nonpayment and protest, and consents that the maturity hereof may be extended without notice and that the Holder hereof shall have the right, without notice, to deal in any way, at any time, with the Company or to grant to the Company any indulgence or forbearance whatsoever without in any way effecting the personal liability of the Company.

Waiver by the Holder of any rights under this Note does not constitute a waiver of any other, or subsequent, rights arising under this Note.

Notwithstanding anything herein to the contrary, no provision of this Note shall require the payment or permit the collection of interest in excess of the maximum rate permitted by applicable law. If any excess of interest in such respect is herein provided for, or shall be adjudicated to be so provided, in this Note or otherwise in connection with this transaction, the provisions of this paragraph shall govern and prevail, and neither the Company nor the sureties, guarantors, successors or assigns of the Company shall be obligated to pay the excess amount of such interest, or any other excess sum paid for the use, forbearance or detention of sums loaned pursuant hereto. If for any reason interest in excess of the maximum rate of interest permitted by applicable law shall be deemed charged, required or permitted or otherwise should arise, any such excess shall be applied as a payment and reduction of the principal indebtedness evidenced by this Note. If the principal amount hereof has been paid in full, any remaining excess shall forthwith be paid to the Company.

No service charge shall be made for any exchange of this Note, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

No recourse under or upon any obligation, covenant or agreement contained in this Note, or for any claim based hereon or otherwise in respect hereof, or because of the creation of any indebtedness represented hereby, shall be had against any incorporator, shareholder, member, officer, manager or director, as such, past, present or future, of the Company or of any successor thereof, either directly or through the Company or any successor thereof, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment, penalty or otherwise; it being expressly understood that all

such liability is hereby expressly waived and released by the acceptance hereof and as a condition of, and as part of the consideration for, the issuance of this Note.

Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and in the case of any such loss, theft or destruction, upon delivery of an indemnity reasonably satisfactory to the Company or, in case of any such mutilation, upon surrender and cancellation of this Note, the Company will issue a new Note of like tenor in lieu of this Note.

Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note.

The Company agrees to pay on all costs and expenses, if any, including counsel fees and expenses in connection with the enforcement whether through negotiations, legal proceedings or otherwise) of this Note.

DEFINITIONS:

"Business Day" means with respect to any place of payment or other location each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that place of payment or other location are authorized or obligated by law, executive order or regulation to close.

"Discounted Value" means, with respect to the Prepaid Principal of this Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Prepaid Principal from their respective scheduled due dates to the Prepayment Date with respect to such Prepaid Principal, in accordance with accepted financial practice and at a discount factor (applied on a semi-annual basis) equal to the Reinvestment Yield with respect to such Prepaid Principal.

"Make-Whole Amount" means, with respect to this Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Prepaid Principal of such Note over the amount of such Prepaid Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Person" means an individual, corporation, limited liability company, partnership, limited partnership, joint venture, association, trust, other entity, unincorporated organization, or government or any agency or political subdivision thereof.

"Prepayment Date" with respect to the Prepaid Principal of this Note means the date fixed by the Company for prepayment or by the Holder pursuant to a demand for payment.

"Prepayment Price" means the price at which this Note is to be prepaid.

"Prepaid Principal" means, with respect to this Note, the principal of such Note that is to be prepaid, whether voluntarily by the Company or subject to demand by the Holder.

"Reinvestment Yield", with respect to the Prepaid Principal of this Note over the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Prepayment Date with respect to such Prepaid Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on the run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Prepaid Principal as of such Prepayment Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Prepayment Date with respect to such Prepaid Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Prepaid Principal as of such Prepayment Date.

In the case of each determination under clause (i) or clause (ii), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the applicable actively traded on the run U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the applicable actively traded on the run U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of this applicable Note.

"Remaining Average Life" means, with respect to any Prepaid Principal, the number of years obtained by dividing (i) such Prepaid Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Prepaid Principal by (b) the number of years, computed on the basis of a 360-day year composed of twelve 30-day months, that will elapse between the Prepayment Date with respect to such Prepaid Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Prepaid Principal of this Note, all payments of such Prepaid Principal and interest thereon that would be due after the Prepayment Date with respect to such Prepaid Principal if no payment of such Prepaid Principal were made prior to its scheduled due date, provided that if such Prepayment Date is not a date on which interest payments are due to be made under the terms of this Note, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Prepayment Date and required to be paid on such Prepayment Date.

GENERAL PROVISIONS:

This Note may only be changed, waived, modified or otherwise amended by a writing executed by both the Company and Holder.

This Note shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflict of law except Section 5-1401 of the New York General Obligations Law.

This Note shall be binding upon the Company and its successors, and shall inure to the benefit of Holder and its successors and permitted assigns. The Company may not assign its obligations under this Note without Holder's prior written consent and any attempt shall be null and void.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

The Empire District Electric Company

By: _____

Name: David Swain

Title: President

By: _____

Name: Dale Harrington

Title: Secretary

Exhibit B

CONFIDENTIAL

**UNANIMOUS WRITTEN CONSENT TO TAKE ACTION
IN LIEU OF A SPECIAL MEETING
OF THE BOARD OF DIRECTORS OF
THE EMPIRE DISTRICT ELECTRIC COMPANY**

March 28, 2018

In lieu of a special meeting of the Board of Directors of The Empire District Electric Company, a Kansas corporation (the "Corporation"), the undersigned, being all the members of the Board of Directors (the "Board") of the Corporation and acting pursuant to the *Kansas General Corporation Code*, as amended, and the Bylaws of the Corporation, hereby consent to the adoption of the following resolutions, the same declared to be authorized and effective as of the date first written above:

REPLACING MATURING FIRST MORTGAGE BOND DEBT

WHEREAS, the Board of the "Corporation desires to borrow up to \$90,000,000 (USD) from Liberty Utilities Co. ("LUCo") for the purpose of replacing the Corporation's \$90,000,000 (USD) 6.375% Series First Mortgage Bonds maturing June 1, 2018 (the "Bonds");

AND WHEREAS, LUCo maintains an unsecured bond platform under which all new long-term subsidiary indebtedness shall be issued;

AND WHEREAS, LUCo is willing to replace the Bonds, with one or more tranches of debt (such tranches aggregating up to \$90,000,000 (USD)), and with varying maturity tenors of between 10 and 30 years, on substantially the terms represented on the Promissory Note as set forth in Appendix A attached hereto, each such tranche with an annual interest rate to be calculated by adding a credit spread equivalent to the like-tenor credit spread paid by LUCo for its Series E Private Placement Bonds issued March 2017 to the like-tenor U.S. Treasury rates published by Bloomberg on or about the effective date of the debt placement (the "LUCo Notes");

NOW, THEREFORE, BE IT RESOLVED, that the Corporation borrow up to \$90,000,000 (USD) aggregate from LUCo on the terms contained within the LUCo Notes;

FURTHER RESOLVED, that the Corporation will pay LUCo a 50 basis point (0.50%) (up to \$450,000 (USD)) debt placement fee on the aggregate amount of the LUCo Notes, and any and all other costs associated with the debt placement;

FURTHER RESOLVED, that the officers of the Corporation be, and each of them hereby is, authorized, empowered and directed, in the name and on behalf of the Corporation, to take or cause to be taken any and all actions necessary or appropriate, and to enter into any agreements, documents, instruments, notices,

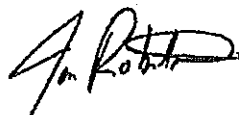
certificates or undertakings (as conclusively evidenced by the execution thereof by any two such officers) to effectuate the foregoing resolution and to otherwise carry out the purpose and intent of the foregoing resolution;

FURTHER RESOLVED, that any and all actions taken by any officer, director, or other representative of the Corporation prior to the date hereof in accordance with the intent of these resolutions be, and they hereby are, approved, ratified and confirmed in all respects;

FURTHER RESOLVED, that this Unanimous Written Consent may be executed in counterparts and/or by facsimile signatures, and all counterparts so executed shall constitute one and the same document.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned members of the Board have executed this Unanimous Written Consent as of the date set forth above.



Ian E. Robertson



David Pasieka

Kenneth R. Allen

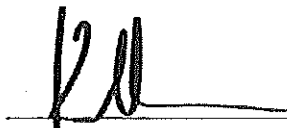
Nicole R. Brown

John H. Thompson

IN WITNESS WHEREOF, the undersigned members of the Board have executed this
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David Pasieka



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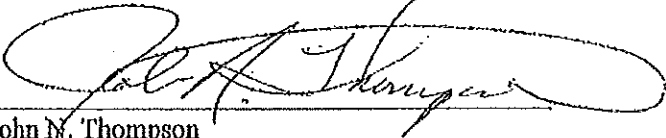
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Ian E. Robertson

David Pasieka

Kenneth R. Allen

Nicole R. Brown



John N. Thompson

PROMISSORY NOTE

Date: _____, 2018

The Empire District Electric Company., a corporation duly organized under the laws of the State of Kansas (herein called the "**Company**", which term includes any successor or resulting Person), for value received, hereby promises to pay to Liberty Utilities Co., or registered assigns (the "**Holder**"), the principal sum of \$90,000,000.00 United States Dollars on _____, 2033, and to pay interest thereon from the date hereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on June 1 and December 1 in each year, commencing December 2018, ("**Interest Payment Date**") at the rate of ____% per annum, until the principal hereof is paid or made available for payment; and at the rate of the greater of (i) ____%, plus 2.0% or (ii) 2% over the rate of interest publicly announced by J.P. Morgan Securities LLC from time to time in New York, New York as its "base" or "prime" rate, payable semi-annually as aforesaid (or, at the option of the registered holder hereof, on demand) on any overdue principal and premium and on any installment of interest (to the extent payment of such interest is legally enforceable). Interest on this Note will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Payment of the principal of (and premium, if any) and any such interest on this Note will be made at the office or agency of the Company in the United States of America, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts or subject to any laws or regulations applicable thereto; and *provided, however*, that payment of interest may be made by wire transfer of immediately available funds to an account maintained by the payee at a financial institution in the United States (so long as Company has received proper transfer instructions in writing by the record date prior to the applicable Interest Payment Date).

This Note is a general, unsecured, obligation of the Company.

The Company may prepay the whole or any part of the amount outstanding under this Note; *provided that* any such prepayment shall be at the Prepayment Price equal to 100% of the principal amount so prepaid, and the Make-Whole Amount determined for the Prepayment Date with respect to such principal amount plus accrued and unpaid interest, if any, to the Prepayment Date.

Notice of any prepayment by the Company will be given not less than two (2) days before any Prepayment Date to the Holder.

Unless the Company defaults in payment of the Prepayment Price, on and after any Prepayment Date for this Note, interest will cease to accrue on this Note or portion hereof called for prepayment.

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It is expressly provided that, in the event that principal and interest payments are not made to the Holder when due, the Holder shall have the right to demand, and the Company shall have the obligation to immediately pay to the Holder, the unpaid balance of any principal and unpaid accrued interest outstanding under this Note, together with the Make-Whole Amount determined for the date fixed for such demand payments. Instead of demanding payment, the Holder may, in its sole discretion, require that the Company provide collateral in the form of cash, letters of credit, or other collateral which may be acceptable to the Holder in its sole discretion, acting commercially reasonably.

The Holder may also demand that this Note be prepaid by the Company in the event of a change of control, or sale of the substantive assets, of the Company.

Failure of the Holder to exercise a right under this Note does not constitute a waiver of such right under this Note.

The Company hereby waives demand, presentment for payment, notice of nonpayment and protest, and consents that the maturity hereof may be extended without notice and that the Holder hereof shall have the right, without notice, to deal in any way, at any time, with the Company or to grant to the Company any indulgence or forbearance whatsoever without in any way effecting the personal liability of the Company.

Waiver by the Holder of any rights under this Note does not constitute a waiver of any other, or subsequent, rights arising under this Note.

Notwithstanding anything herein to the contrary, no provision of this Note shall require the payment or permit the collection of interest in excess of the maximum rate permitted by applicable law. If any excess of interest in such respect is herein provided for, or shall be adjudicated to be so provided, in this Note or otherwise in connection with this transaction, the provisions of this paragraph shall govern and prevail, and neither the Company nor the sureties, guarantors, successors or assigns of the Company shall be obligated to pay the excess amount of such interest, or any other excess sum paid for the use, forbearance or detention of sums loaned pursuant hereto. If for any reason interest in excess of the maximum rate of interest permitted by applicable law shall be deemed charged, required or permitted or otherwise should arise, any such excess shall be applied as a payment and reduction of the principal indebtedness evidenced by this Note. If the principal amount hereof has been paid in full, any remaining excess shall forthwith be paid to the Company.

No service charge shall be made for any exchange of this Note, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

No recourse under or upon any obligation, covenant or agreement contained in this Note, or for any claim based hereon or otherwise in respect hereof, or because of the creation of any indebtedness represented hereby, shall be had against any incorporator, shareholder, member, officer, manager or director, as such, past, present or future, of the Company or of any successor thereof, either directly or through the Company or any successor thereof, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment, penalty or otherwise; it being expressly understood that all

such liability is hereby expressly waived and released by the acceptance hereof and as a condition of, and as part of the consideration for, the issuance of this Note.

Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and in the case of any such loss, theft or destruction, upon delivery of an indemnity reasonably satisfactory to the Company or, in case of any such mutilation, upon surrender and cancellation of this Note, the Company will issue a new Note of like tenor in lieu of this Note.

Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note.

The Company agrees to pay on all costs and expenses, if any, including counsel fees and expenses in connection with the enforcement whether through negotiations, legal proceedings or otherwise) of this Note.

DEFINITIONS:

"Business Day" means with respect to any place of payment or other location each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that place of payment or other location are authorized or obligated by law, executive order or regulation to close.

"Discounted Value" means, with respect to the Prepaid Principal of this Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Prepaid Principal from their respective scheduled due dates to the Prepayment Date with respect to such Prepaid Principal, in accordance with accepted financial practice and at a discount factor (applied on a semi-annual basis) equal to the Reinvestment Yield with respect to such Prepaid Principal.

"Make-Whole Amount" means, with respect to this Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Prepaid Principal of such Note over the amount of such Prepaid Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Person" means an individual, corporation, limited liability company, partnership, limited partnership, joint venture, association, trust, other entity, unincorporated organization, or government or any agency or political subdivision thereof.

"Prepayment Date" with respect to the Prepaid Principal of this Note means the date fixed by the Company for prepayment or by the Holder pursuant to a demand for payment.

"Prepayment Price" means the price at which this Note is to be prepaid.

"Prepaid Principal" means, with respect to this Note, the principal of such Note that is to be prepaid, whether voluntarily by the Company or subject to demand by the Holder.

"Reinvestment Yield", with respect to the Prepaid Principal of this Note over the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Prepayment Date with respect to such Prepaid Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on the run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Prepaid Principal as of such Prepayment Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Prepayment Date with respect to such Prepaid Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Prepaid Principal as of such Prepayment Date.

In the case of each determination under clause (i) or clause (ii), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the applicable actively traded on the run U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the applicable actively traded on the run U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of this applicable Note.

"Remaining Average Life" means, with respect to any Prepaid Principal, the number of years obtained by dividing (i) such Prepaid Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Prepaid Principal by (b) the number of years, computed on the basis of a 360-day year composed of twelve 30-day months, that will elapse between the Prepayment Date with respect to such Prepaid Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Prepaid Principal of this Note, all payments of such Prepaid Principal and interest thereon that would be due after the Prepayment Date with respect to such Prepaid Principal if no payment of such Prepaid Principal were made prior to its scheduled due date, provided that if such Prepayment Date is not a date on which interest payments are due to be made under the terms of this Note, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Prepayment Date and required to be paid on such Prepayment Date.

GENERAL PROVISIONS:

This Note may only be changed, waived, modified or otherwise amended by a writing executed by both the Company and Holder.

This Note shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflict of law except Section 5-1401 of the New York General Obligations Law.

This Note shall be binding upon the Company and its successors, and shall inure to the benefit of Holder and its successors and permitted assigns. The Company may not assign its obligations under this Note without Holder's prior written consent and any attempt shall be null and void.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

The Empire District Electric Company

By: _____

Name: David Swain

Title: President

By: _____

Name: Dale Harrington

Title: Secretary