

LINE IMPROVEMENT CONTRACT

Whereas, the Henry County Water District #2 (hereinafter the "District") is a non-profit public utility engaged in providing drinking water for public consumption in Henry, Oldham, Trimble, Shelby and Carroll Counties in the Commonwealth of Kentucky;

And Whereas, the District is regulated by the Kentucky Public Service Commission and State Division of Water;

And Whereas, a need has arisen to improve a certain portion of the distribution system for said utility to allow development of certain parcels of real estate located along or near Highway 153 in Henry County, Kentucky;

And Whereas, said properties are to be developed by the individuals named hereinafter who are desirous of having the line improvement contemplated performed by the District in order to allow service to the areas to be developed;

And Whereas, it is understood that said improvements as contemplated will merely return the system to the same hydraulic conditions as exist prior to said development;

NOW THEREFORE, this Line Improvement Contract made and entered into this 31st day of July, 2000, by and between the Henry County Water District #2, P.O.

Box 219, Campbellsburg, Kentucky 40011 and Marathon Ashland Petroleum, 5000 West 86th Street, Indianapolis, Indiana 46268-1601, (hereinafter the "Developer")

WITNESSETH: that for and in consideration of the mutual promises and covenants set out hereinafter, the parties hereto agree as follows:

1. The Developer shall cause an improvement to the District's distribution system to be made along Highway 153 which improvement would consist of laying approximately 1200 feet of ten (10) inch line along Highway 153. This improvement shall be made by the contractor of the Developer's choosing subject to the approval of the District. The sole purpose of this extension would be to improve the hydraulics to allow adequate pressure to service the development located in Pendleton, Kentucky known as the Speedway Center.

2. The Developer would be solely responsible for the actual costs and

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construction of said improvements estimated to be in the sum of \$30,000.00. The District in no way warrants that this is the actual cost of improvement. The Developer specifically agrees and understands that it shall be fully responsible for the actual finished cost of this project inclusive of but not limited to all costs of construction, warranty bonds and easement costs but specifically excluding engineering costs associated with design of the new transmission mains, designing pump renovations, obtaining state highway permits and obtaining Kentucky Division of Water Approval. All work shall be done in compliance with the District's "Standard Specifications and Drawings." The Developer acknowledges that the project cost will also include the District's reasonable supervision, legal and accounting charges attributable to the project not to exceed \$10,000.00. The Developer further acknowledges that the estimated cost does not include any fee required to be paid for connecting to the system.

3. The Developer shall secure all necessary easements. Any expense associated with the design of this improvement or the procuring of the easements that is borne by the District, either directly or indirectly, shall be passed on to the developers in their proportionate share as hereinafter enumerated. Failure of any developer to pay a cost within fifteen days of receipt of a notification that said amount is due shall result in the District refusing to allow the Developer to connect to the distribution system.

4. As additional conditions and covenants, Developer will bear all liability for any loss during construction and will warranty all work for a period of one year following acceptance. In addition, Developer has projected estimated water usage that shall not exceed 15,000 gallons per day and/or 35 gallons per minute and the contract is entered into in reliance of that estimate. Should the Developer's usage exceed that amount regularly and significantly, the Developer shall be responsible for the cost of any subsequent line upgrade that may required. The Developer agrees that the decision as to whether such usage regularly and significantly exceeds that estimated usage shall be made by the District's engineers and shall be binding upon the parties.

5. The contractor who is selected by the Developer must be approved by the

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BY: *Stephan O. Ryan*
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District. The contractor's bonding, the warranty period of his work, and his submittal of shop drawings of materials shall fully comply with the District's "Procedures and Requirements for the Development of Water Line Extensions."

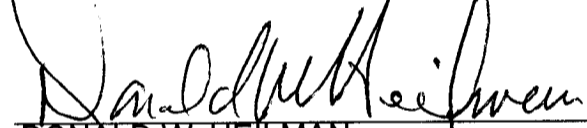
6. It is agreed and understood that this contract shall in no way be considered a final approval of any of the developments as such approval is contingent upon compliance with the current District guidelines for specifications, drawings and other project submittal requirements. All construction, labor and material must be in accordance with the District's specification. The contractor chosen shall be required to post a warranty bond in favor of the District.

7. The improvements constructed hereunder shall at all times be owned by the District. The District shall have the right to extend the facilities without compensation to the Developer or the consent of the Developer.


8. It is further understood that no work of any kind shall commence until all necessary approvals including approval of this contract are received from the Public Service Commission, the Division of Water and any other necessary and appropriate regulatory agency and all necessary easements are obtained and recorded.

Witness the hands of the undersigned on the date first above written.

HENRY COUNTY WATER DISTRICT #2



DONALD W. HEILMAN
CHIEF OPERATING OFFICER



SHAWN LYON, ENGINEERING MANAGER
AND AUTHORIZED AGENT FOR
MARATHON ASHLAND PETROLEUM
539 SOUTH MAIN STREET
FINDLAY, OHIO 45840

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PURSUANT TO 807 KAR 5:0-1,
SECTION 9 (1)
BY: Stephan O. Bell
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