

CONTRACT

THIS CONTRACT made and entered into on this 21st day of August, 2012, by and between the **UNION COUNTY WATER DISTRICT**, a Municipal Corporation organized as a "Water District" under Chapter 74 of the Kentucky Revised Statues, Party of the First Part, hereinafter referred to as "First Party", and **CITY OF STURGIS**, a Municipal corporation of the 4th Class of Union county, Kentucky, Party of the Second Part, hereinafter referred to as "Second Party";

WITNESSETH:

WHEREAS, on August 21, 2012, the Second Party, through its' Mayor and duly elected City Council, passed a resolution whereby the Second Party agreed to purchase water from First Party for its' customers;

WHEREAS, the First Party is in agreement to furnish said water as is needed by Second Party;

WHEREAS, First Party purchases water from the City of Morganfield, pursuant to a contract dated December 19, 1986;

WHEREAS, the formula in the contract with the City of Morganfield sets out the methods of determining the cost of water from the City of Morganfield, and thereby determines the cost to the First Party, to be paid to the City of Morganfield;

WHEREAS, this contract dated December 19, 1986 is to be incorporated into this agreement between First Party and Second Party by reference as though copied in full;

WHEREAS, First Party charges to its' customers are regulated and controlled by the Public Service Commission of Kentucky;



WHEREAS, the First Party shall continue serving water to all customers it has previously served, including customers, if any within the city limits of Second Party.

WHEREAS, the Second Party shall continue servicing water to all customers it has previously served, including, if any customers outside the city limits.

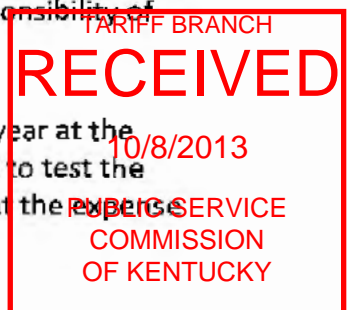
WHEREAS, the Second Party may in the future extend its corporate boundaries and thereby encompass portions of Union County, Kentucky not presently within the city limits of the Second Party but that may be encompassed by the Second Party. If the area annexed is currently served by First Party, then, First Party shall continue to serve those customers it currently serves, that are located in the annexed area.

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, of First Party's commitment to make prompt delivery of the water supply herein agreed to, and the commitment of the First Party to deliver a bill to the Second Party to make prompt payments, on or before the 20th day of the month in which a bill is received from the First Party. Payments to First Party are subject to a ten (10%) percent penalty for late payment. It is understood by the Parties hereto, the cost of water can fluctuate due to First Party's contract with the City of Morganfield, and also depending on rulings of the Public Service Commission.

- (1) First Party agrees to sell and deliver to Second Party, and the Second Party agrees to purchase and receive from the First Party all water required by Second Party, Second Party shall exclusively purchase said water from First Party, unless and in the event of an emergency. Emergency is defined as the inability to supply water for whatever reason, to Second Party in the usual and customary manner. It is agreed and understood the Water District will do what it can to correct the emergency situation in a reasonable time. Once the emergency is corrected, Second Party will again purchase water from the First Party, subject to the terms of this agreement.



- (2) The quality of water delivered by the First Party to Second Party's meter hookup, shall meet all State, Federal and local regulations and laws as they exist today or may exist in the future, including but not limited to The Safe Drinking Water Act (SDWA)
- (3) The First Party shall deliver water to the Second Party at a minimum rate of 280 gallons per minute (280 GPM) on a continuous basis. Furthermore, the residual pressure at the point of connection shall be substantial enough to fill the Second Party's water tank up to the overflow elevation of 519.50 MSL at the specified rate of 280 GPM. Similarly, at the request of the Second Party and with the concurrence of the First Party, a higher rate of water flow can be utilized as needed at the same monetary rate charged during normal usage.
- (4) The Second Party is eligible for low interest loans for the construction of a water line, pump station, and water tank essential to the fulfillment of this contract, hereinafter referred to as "First Party Essential Infrastructure" (FPEI). Second Party will purchase the FPEI, own it, and allow First Party to use it until the low interest loans are satisfied in full. At the time these aforementioned debts are satisfied, Second Party will convey the FPEI to First Party for ownership, operation, maintenance and replacement. During the time the Second Party owns the FPEI, and until the loans are paid off, and these items are conveyed to First Party, First Party shall be responsible for the maintenance, operation, replacement and correct upkeep of the FPEI and will pay all costs incurred by its operation. The limits of the FPEI shall include all newly constructed facilities funded with the aforementioned low interest loans lying between the City of Morganfield and the Second Party's existing meter pit located on the J.E. Shockley Jr. property on U.S. 60 as recorded in DB263, Page 185, across from Dr. Stone's residence and more specifically at coordinates 209803.5, 995673.5, Kentucky State Plane South, NAD83.
- (5) It is agreed that no new customers shall be connected to the main between the new master meter (located at Ben Dyer Road) and the existing meter pit as described above (J.E. Shockley Jr. property) without becoming a customer of the City of Sturgis.
- (6) First Party shall be responsible for the security of the master meter. It is agreed that the Second Party shall own, operate and maintain certain water systems appurtenances (i.e. telemetry equipment, control valves, electrical equipment, etc.) that will be installed at the master meter site and shall be the sole responsibility of the Second Party.
- (7) The master meter will be tested for accuracy at a minimum of once a year at the expense of the First Party. In the event that the Second Party chooses to test the master meter more frequently, the cost of additional testing shall be at the expense of the



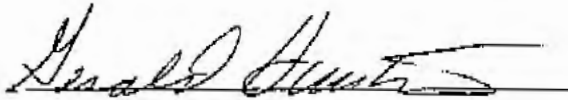
of the Second Party. Both parties may be present for such testing. Furthermore, both parties hereto shall have unfettered access to the master meter.

- (8) It is understood that the City of Sturgis operates its own municipal water distribution system, and will continue to serve its own customers. No tap-on fees will be exacted from any customer's service by the Sturgis municipal water distribution system for the benefit of the District and Sturgis customers shall be customers of Sturgis only, and not the District and the City itself shall be a customer of the District. The term of this contract shall be ten (10) years, from the date of initial deliver of water. The Contract shall be automatically renewable unless otherwise notified by either party in writing.
- (9) It is hereby specifically agreed and covenanted between the Parties that the water rates to be paid to the First Party by Second Party shall be the same rate as that charged to a customer having a 6 inch meter. The monthly rate as of the date of this Agreement is \$1,136.97 for the first 300,000 gallons and \$2.88 per 1,000 gallons for all usage over 300,000 gallons. It is further agreed that the rate may be changed only after a review and approval of the Public Service Commission and provided the rate change is no more than any other customer having a 6 inch meter.
- (10) It is hereby expressly covenanted and agreed that during the term of Contract for Water Service, the City of Sturgis shall satisfy its entire municipal water needs solely from the District. The City of Sturgis agrees it will not operate any waterworks system in competition with the District, nor seek to satisfy any part of its water needs from any other source or party. Provided, however, that as hereinafter set forth, the City of Sturgis may obtain standby water facilities for emergency purposes only in the event of a failure of the District's system, but shall not use same for purposes of satisfying any part of its municipal water need except in the event of an emergency. The District will, at all times, operate and maintain its system in an efficient manner and take such actions as may be necessary to furnish the City of Sturgis with quantities of water required by the City. Temporary or parried failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the District is otherwise diminished over an extended period of time, the supply of water to the City of Sturgis shall be reduced or diminished in the same ratio or proportion as the supply to the District's consumers is reduced or diminished.
- (11) The Contract for Water Services shall be binding upon and shall inure to the benefit of all the Parties hereto, and their successors in interest, grantees, assignees, heirs, and assigns, and all Parties taking an interest from said Parties. If any section, clauses, or provisions of this Contract shall be held invalid, such holding of invalidity shall not affect the validity of any remaining section, clauses, paragraph, portion or provision of this Contract. Except as otherwise provided herein, the parties shall be

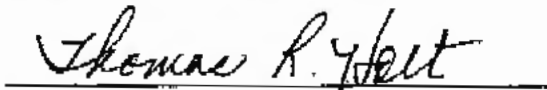
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amend, modify or waive any provision of this agreement without written consent of both parties hereto.

WITNESS our hands this 27th day of August, 2012



GERALD HUNTER, Chairman
Union County Water District



THOMAS R. HOLT, Mayor
City of Sturgis



STATE OF KENTUCKY) SCT
COUNTY of Union)

I, Cynthia Carr, a Notary Public within and for the County and State aforesaid, do hereby certify that the foregoing Contract was this day produced to me by **GERALD HUNTER**, Chairman of Union County Water District, who acknowledged, subscribed, and swore to the same before me to be his free act and deed in due form of law.

Given under my hand and notarial seal on this 27th day of August, 2012.

Cynthia Carr

Notary Public-State at Large

My commission expires 5-8-12

Record I.D. No. 465385

STATE OF KENTUCKY) SCT
COUNTY OF Union)

I, Cynthia Carr, A Notary Public within and for the County and State aforesaid, do hereby certify that the foregoing Contract was this day produced to me by **THOMAS R. HOLT**, Mayor of City of Sturgis, who acknowledged, subscribed, and swore to the same before me to be his free act and deed in due form of law.

Given under my hand and notarial seal on this the 27th day August, 2012.

Cynthia Carr

Notary Public-State at Large

My commission expires 5-8-12

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