

THIS CONTRACT FOR WATER SERVICE, made and entered into as of this 1st day of Aug., 1979, by and between the Webster County Water District, a Water District created under and existing by virtue of the provisions of Chapter 74 of the Kentucky Revised Statutes, situated entirely in Webster County, Kentucky, (hereinafter sometimes referred to as the "District"), and the Town of Clay, a municipal corporation of the Fifth Class, situated in Webster County, Kentucky, acting by and through the Board of Directors (hereinafter sometimes referred to as "town" or "Clay").

WITNESSETH:

(A) The Webster County Water District is a de jure Water District, created and presently existing under the provisions of Chapter 74 of the Kentucky Revised Statutes by virtue of an order entered by the County Court Clerk of Webster County, Kentucky, on the 13 day of December, 1965. As created, the Webster County Water District embraced the area of Webster County, excluding the towns and cities of Providence, Clay, Dixon, Sebree, and Slaughters, Kentucky.

(B) The Town of Clay, Kentucky, is a municipal Corporation of the Fifth Class, situated in Webster County, Kentucky. The City is situated on the Western side of the Webster County Water District, but is not included in the corporate limits of said District. The Town of Clay has for many years owned and operated a municipal waterworks and water distribution system, and is presently providing water services to the citizens and inhabitants of Clay.

(C) The present source of water for the Town of Clay is from wells.

(D) The Webster County Water District, is now in the process of concluding preliminary matters preparatory to the issuance by it of Revenue Bonds for the construction of a new waterworks and water distribution system in Webster County, Kentucky. The source of water of the Webster County Water District will be wells in the Onton area, situated on the eastern side of Webster County, Kentucky. In order to properly serve the entire District area, the Webster County Water District will be required to construct certain facilities near the vicinity of Onton, Kentucky which is situated at approximately



the northeast point of the District, and Clay and the Webster County Water District therefore entered into protracted negotiations regarding the feasibility of Clay obtaining its water supply from the Webster County Water District. Based upon said negotiation and studies, it has been ascertained and agreed by and between the parties that the Webster County Water District will be able to serve the Town of Clay, Kentucky, pursuant to the provisions of KRS 74.120(2) with a pure and adequate supply of treated, potable water. This water shall be of such quality as to meet all State and Federal Regulations.

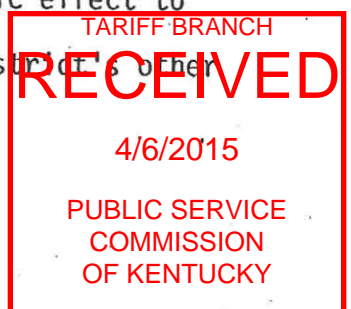
NOW THEREFORE, IN CONSIDERATION OF ALL THE FOREGOING AND THE VARIOUS REPRESENTATIONS, COVENANTS, AND UNDERTAKINGS HEREINABOVE AND HEREINAFTER CONTAINED, THE PARTIES HEREBY SPECIFICALLY AGREE AND COVENANT EACH WITH THE OTHER AS FOLLOWS:

Section 1: The Town of Clay, Kentucky, hereby agrees to purchase all its treated water in accordance with the terms of this Contract for Water Service from the Webster County Water District, and said Webster County Water District agrees to sell to the Town of Clay, Kentucky, at the following schedule of rates:

At a monthly rate of \$1.00 per 1,000 gallons metered.

It is understood that the Town of Clay operates its own municipal water distribution system, and will serve its own retail customers. No tapping fees will be exacted from any customers served by the Clay municipal water distribution system for the benefit of the District, and Clay customers shall be customers of Clay only, and not the District, and the Town itself being the customer of the District. The term of this contract shall be for forty (40) years from the date of initial delivery of water, which shall be not later than three (3) years from date.

Section 2. It is hereby specifically agreed and covenanted between the parties that the initial schedule of water rates to be paid to the District by Clay, as set forth in Section 1 hereof, shall be increased only after a review of the lending agency and the Public Service Commission and approval from those agencies. The Webster County Water District agrees and covenants that in its Resolution authorizing the issuance of Revenue Bonds for the purpose of paying the costs of constructing its proposed waterworks and water distribution system, a clause will be contained giving specific effect to this Section, and all necessary solely with respect to the District's offer



water customers, all of which is subject to approval of the lending agency, and the Public Service Commission.

Section 3. From the date when water is first made available by the District to the Town, the water rates as paid by the Town to the District may be decreased if it is determined from the receipts from the sale of water to the Town that such a decrease can equitably and profitably be made, at which time an increase or decrease by the District in the rates charged the Town can be made if it is determined from the receipts of the Water District that either an increase or decrease should be made, and any increase or decrease by the District in its schedule of water rates shall be made on a relatively proportionate basis, so that the Town of Clay, being a substantial water consumer, will not be unfairly discriminated against. Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the costs of performance hereunder, but such costs shall not include increased capitalization of the District's system. Other provisions of this contract may be modified or altered by mutual agreement. In this connection, it is agreed that any increase or decrease in water cost applied to the Town of Clay shall and must be on a basis of the same percentage of increase or decrease in the revenue per gallon for the gross of all other wholesale customers of the District. (In the event of a proposed increase in water costs, the city will be notified 90 days prior to the change and will be afforded the opportunity to participate in the process of rate change.)

Section 4. It is hereby expressly covenanted and agreed that during the term of this Contract for Water Service, the Town of Clay shall satisfy its municipal water needs solely from the District. The District agrees to furnish the purchaser at the point of delivery, during the term of this contract or any renewal or extension thereof, potable treated water in such quantity as may be required by the Purchaser, not to exceed 9,300,000 gallons per month. However, should the Town of Clay's needs be determined at some future time to exceed the above amount, and the District agrees that it cannot meet the additional needs of the Town, the Town may, upon proper notice, seek water from an auxiliary source, but said auxiliary source shall be used only if and when said need is necessary.

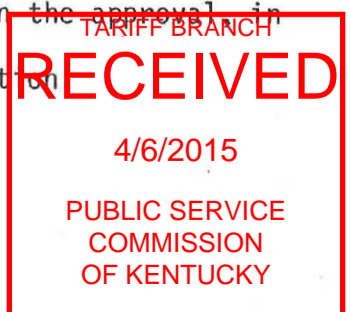
The District will install and maintain at its expense such master meters as are necessary to measure treated water entering the Town of Clay. The Town agrees it will not operate any water works system in competition with the District nor seek to satisfy any part of its water needs from any other source of party, provided however, that as hereinafter set forth, the Town of Clay may obtain stan



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 needs except in the event of an emergency. The Webster County Water 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 Town of Clay with quantities of water required by the Town. Temporary or partial failure 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 Town of Clay customers shall be reduced or diminished in the same ratio or proportion as the supply to the District's consumers is reduced or diminished.

Section 5. The Town of Clay, Kentucky, may in the future extend its corporate boundaries and thereby encompass portions of Webster County, Kentucky, not presently with the Town, but encompassed by the District. It is understood and agreed by and between the parties hereto that in the event such specified annexation proceedings are instituted by the Town of Clay, the District will make no legal objection thereto, and that all water customers in the area annexed to the Town of Clay, which are at that time being serviced by the Webster County Water District directly, shall thereupon become the water customer of Clay, Kentucky. In the event of institution of such annexation proceedings, the Town of Clay shall purchase at fair market value any of the District's water facilities, included within the area to be annexed. The fair market value of said facilities shall be ascertained as follows: The Town and the District shall each designate an appraiser, and the two appraisers shall themselves designate a third appraiser. A majority of the three appraisers shall ascertain the fair market value to the facilities, and it shall be binding on the parties and upon payment of said price by the Town and the execution of an appropriate deed by the District, the said facilities shall be and become the property of the City. Such annexation shall be approved by the Board Holder and subject to review by the Public Service Commission, and such annexation would not cause a hardship on the financial status of the District.

Section 6. The construction of the water supply distribution system by the Seller is being financed by a loan made or insured by, and/or a grant from the United States of America, acting through the Farmers Home Administration of the United States Department of Agriculture, and the provisions hereof pertaining to the undertakings of the Seller are conditioned upon the approval in writing, of the State Director of the Farmers Home Administration.



Section 7: (Pledge of Contract) This contract is hereby pledged to the United States of America, acting through the Farmers Home Administration, as part of the security for a loan from the United States of America.

Section 8: The Contract for Water Service shall be binding upon and shall inure to the benefit of all of 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, clause or provision of this contract shall be held invalid, such holding of invalidity shall not affect the validity of any remaining section, clause, paragraph, portion, or provision of this Contract.

Section 9: This Contract is made subject to the approval of Farmers Home Administration and to the availability of funds from the Farmers Home Administration to the City of Clay for certain water line extension improvements. In the event such approval and/or financing is not forthcoming from the Farmers Home Administration, this Contract will be null and void. The City of Clay shall not be requested to make purchase of water from the Webster County Water District pursuant to the agreement until such time as the City of Clay's improvements to their internal water distribution system has been completed.

IN WITNESS WHEREOF, the parties hereunto caused their names to be affixed as heretofore duly authorized.

CITY OF CLAY

BY: Garry G. Cowan

ATTEST:

Bonita Daniel  
City Clerk

WEBSTER COUNTY WATER DISTRICT

Loyal Brooks

ATTEST:

L. R. Hall  
Secretary

This contract is approved on behalf of the Farmers Home Administration this \_\_\_\_ day of \_\_\_\_\_, 1979.

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

