

WATER PURCHASE AGREEMENT

THIS AGREEMENT, made this 19 day of February, 1992, by and between

LOUISVILLE WATER COMPANY, a Kentucky corporation governed by the Board of Water Works created under and governed by Sections 96.230 through 96.315 of the Kentucky Revised Statutes  
435 South Third Street  
Louisville, Kentucky 40202 ("LWC")

and

NORTH SHELBY WATER COMPANY  
a Kentucky Corporation  
Bagdad, Kentucky 40003 ("North Shelby")

RECITALS

- A. North Shelby is organized and established for the purpose of constructing and operating a water supply distribution system serving users in an area generally described as the northern part of Shelby County, and northwest part of Franklin County, Kentucky and to accomplish this purpose, North Shelby requires a supply of treated water.
- B. LWC owns and operates a water treatment and distribution system in Jefferson County, Kentucky with a capacity currently capable of serving the present needs of North Shelby's system and future needs within limitations contained hereinbelow.
- C. North Shelby is desirous of continuing to purchase (as it has since 1984) and LWC is willing to continue to sell to North Shelby treated water.

WITNESSETH:

In consideration of the premises contained herein the parties agree as follows:

- 1. Quality and Quantity. LWC agrees to furnish to North Shelby at the point of delivery hereinafter specified during the term of this Agreement or any renewal or extension thereof, potable treated water meeting applicable purity standards of the Kentucky Department for Natural Resources and Environmental Protection at a flow rate not to exceed 350 gallons per minutes.

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SECTION 9(1)

DIRECTOR

2. Point of Delivery and Pressure. The point of delivery of the water, to be furnished at a reasonably constant pressure calculated at elevation p.p. 810.0 msl, will be at an existing twelve (12) inch main of IWC located at the intersection of Flat Rock Road and the entrance road to Long Run Park in Eastern Jefferson County, Kentucky. If a greater pressure than that normally available at the point of delivery is required by North Shelby, the cost of providing such greater pressure shall be borne by North Shelby. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, labor unrest, earthquake, tornado or other extraordinary circumstances shall excuse IWC from this provision for such reasonable period of time as may be necessary to resolve the situation.
3. Metering Arrangements. IWC agrees to operate at its own expense at the point of delivery, the necessary metering equipment, including a meter house or vault, and required devices of standard type for properly measuring the quantity of water delivered to North Shelby and to calibrate such metering equipment whenever requested by North Shelby but not more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. Previous readings of any meter disclosed by tests to be inaccurate shall be corrected for the six (6) months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless IWC and North Shelby shall agree otherwise. An appropriate official of North Shelby shall have access to the meter for the purpose of verifying its readings at reasonable times.
4. Rates and Payment. North Shelby shall pay to IWC for water delivered under this Agreement in accordance with rates adopted by the Board of Water Works (established pursuant to Sections 96.230 through 96.315 of the Kentucky Revised Statutes) from time to time for customers similarly situated, purchasing water for the purpose of resale, it being understood that said rate presently includes an "elevated service area surcharge" and the applicable existing rates for North Shelby may be found in Sections 6.05 and 6.06 of IWC's present rate schedule. IWC shall bill North Shelby on a monthly basis with North Shelby's payment to be due to IWC within ten days of receipt of IWC's billing.
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5. North Shelby Warranties. North Shelby warrants and covenants as follows:

- (a) That it will not sell water provided under this Agreement to any water district, water utility or any other entity acquiring same for the purpose of resale unless specifically permitted in writing by LWC.
- (b) That it will not sell water to retail customers within the geographical boundaries of Jefferson County without first obtaining written consent of LWC.
- (c) That its demand for water under this Agreement shall not exceed the rate of 350 gallons per minute at any point in time. At any time during the duration of this contract the agreed on maximum demand for water may be altered with mutual written consent of both parties.
- (d) That the supply of water being provided under this Agreement shall be separated by atmospheric gap or LWC approved backflow prevention devices to prevent any other supply of water from interconnecting with LWC supplied water.

6. Terms of Agreement. This Agreement shall have a term of forty-two (42) years from date, subject to termination rights of the parties as hereinafter set forth.

7. Termination Rights.

- (a) This Agreement may be terminated by North Shelby prior to its expiration upon six months' advance written notice in the event of any of the following occurrences:

- (i) Failure of LWC to meet its water delivery requirements as stated herein, subject to interruptions permitted herein.

- (ii) Failure of LWC to meet water quality requirements of governmental authorities possessing legal jurisdiction with respect to same.

- (iii) Bankruptcy or insolvency of LWC.

- (b) This Agreement may be terminated by LWC prior to expiration upon six months' advance written notice in the event of any of the following occurrences:

- (i) Failure of North Shelby to pay within thirty (30) days of the due date for monthly water service.

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BY [Signature]  
EXECUTIVE DIRECTOR

- (ii) A second violation by North Shelby, following receipt of written notice from IWC of the 350 gallons per minutes demand limitation, contained in this Agreement.
- (iii) Bankruptcy or insolvency of North Shelby.
- (iv) Revocation of North Shelby's authority to operate a water distribution system by one or more governmental authorities having jurisdiction thereof.
- (v) Failure by North Shelby during any twelve month period to purchase more than three million (3,000,000) gallons of water.
- (vi) Breach by North Shelby of any other duty, warranty or covenant, contained in this Agreement, provided, however, IWC cannot exercise such termination right until it has given North Shelby thirty (30) days to correct such breach, said 30 days to run from receipt of written notice that such breach exists.

8. Water Quality

North Shelby agrees that it will not knowingly alter the quality of IWC delivered water in its distribution system without the written consent of IWC, which consent during emergencies shall not be unreasonably withheld and, if communicated orally, is to be immediately followed in writing.

9. Miscellaneous. It is understood and agreed by and between the parties as follows:

- (a) That in the event of an extended shortage of water, or the supply of water available to IWC is otherwise diminished over an extended period of time, the supply of water to North Shelby shall be reduced or diminished in the same ratio or proportion as the supply to IWC's other customers is reduced or diminished.
- (b) Any modifications to this Agreement shall be effective only when reduced to writing, signed by both parties.

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BY Charles D. Durr  
EXECUTIVE DIRECTOR

- (c) That in the event of any occurrence rendering North Shelby incapable of performing under this Agreement, any successor to North Shelby, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of North Shelby hereunder, conditioned upon such successor assuming North Shelby's obligations hereunder, past, present and future.
- (d) In addition to, and not in substitution of, the parties' right of termination, contained hereinabove, each party reserves the right to sue for damages and/or relief in equity for breach of this Agreement.
- (e) The provisions hereof pertaining to the undertakings of North Shelby are conditioned upon the approval, in writing, of the State Director of the Farmers Home Administration.
- (f) This Agreement supercedes and replaces in their entirety any and all existing agreements, written and oral between the parties.

10. Notices. Unless otherwise advised in writing to the other party, all notices to IWC shall be sent to:

Louisville Water Company  
 435 South Third Street  
 Louisville, Kentucky 40202

Attention: President

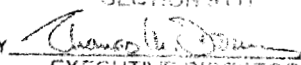
and all notices to North Shelby shall be sent to:

North Shelby Water Company  
 P. O. Box 97  
 Bagdad, Kentucky 40003

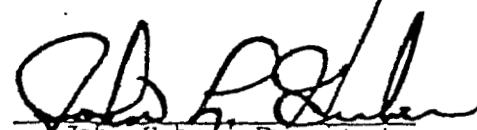
Attention: President

IN TESTIMONY WHEREOF, witness the signatures of the parties by their duly authorized officers as evidenced by resolutions of their respective governing boards as of the day and year first above written, it being understood and agreed that this Agreement may be executed in two or more counterparts each of which shall constitute an original.

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BY   
 EXECUTIVE DIRECTOR

LOUISVILLE WATER COMPANY

By   
 John Huber, President

ATTEST:

James R. Jones  
Secretary

NORTH SHELBY WATER COMPANY

By Duncan L. Campbell  
Title: Pres

ATTEST:

William Tingle  
Secretary

North Shelby Water Company pledges the Water Purchase Agreement to the Farmers Home Administration as a part of the security for loans evidenced by promissory notes of North Shelby Water Company, whether heretofore issued or hereafter issued.

NORTH SHELBY WATER COMPANY

By Duncan L. Campbell  
Title: Pres

This contract is approved on behalf of the Farmers Home administration this 12<sup>th</sup> day of MAY, 1992.

By Jimmy H. Hall  
Title: COMMUNITY AND BUSINESS PROGRAMS SECTION

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BY Duncan L. Campbell  
EXECUTIVE DIRECTOR