

FIRST AMENDMENT TO WATER  
PURCHASE AGREEMENT

This First Amendment (hereinafter, "Amendment") is made to a certain Water Purchase Agreement, dated February 19, 1992, and is made this 15th day of December, 2000, between

LOUISVILLE WATER COMPANY,  
A Municipally Owned Corporation  
Governed by the Board of Water Works  
Pursuant to KRS 96.230 through 96.310  
550 S. Third Street  
Louisville, KY 40202

( "LWC" )

and

NORTH SHELBY WATER COMPANY,  
a Kentucky corporation  
P.O. Box 97  
Bagdad, KY 40003

( "North Shelby" )

WHEREAS, North Shelby presently purchases water from LWC at a point of delivery located on Long Run Road, approximately 1,150 feet south of the Jefferson/Shelby County line in Eastern Jefferson County, Kentucky (hereafter the "Initial Point of Delivery", and as shown on Exhibit 2 attached hereto) pursuant to a Water Purchase Agreement dated February 19, 1992 (hereafter, "Agreement") which Agreement is at Exhibit 1 to this Amendment and incorporated herein by reference; and

WHEREAS, North Shelby desires a larger meter and increased flow at the Initial Point of Delivery, a 42 year rolling contract, and a second water delivery point located north of the intersection of Flat Rock Road and Aiken Road (the "Second Point of Delivery") to assist it with meeting present and future customer demands.

NOW THEREFORE, in consideration of the terms hereof, LWC and North Shelby (hereafter, collectively, the "parties") agree to amend their Agreement as follows:

1. Initial Point of Delivery; Maximum Flow Rate. The maximum flow rate is increased to 500 gallons per minute ("gpm") effective immediately. Once North Shelby has enlarged its existing water main, from the Initial Point of Delivery to Hwy. 362, to an 8-inch or larger size water main, and LWC has completed its proposed Long Run one million gallon storage tank, LWC will at its expense replace the existing tandem three inch meters with tandem four inch meters, and upon completion of same the maximum flow rate will be increased to 750 gpm.

2. Second Point of Delivery; Maximum Flow Rate. North Shelby intends to construct a 12-inch water main from its new Warrior Way water tank in Shelbyville to the Second Point of Delivery. Simultaneously with the completion of North Shelby's new 12-inch water main from the Second Point of Delivery to the intersection of Ash Avenue and Aiken Road, LWC agrees to make water service available to North Shelby at the Second Point of Delivery where LWC will deliver service through tandem four inch meters with a flow rate not to exceed 350 gpm, increasing to 500 gpm effective upon completion of LWC's new Aiken Road booster pump station or March 1, 2001, whichever first occurs. Water pressure at the Second Point of Delivery will be at least 30 pounds per square inch ("psi"). If North Shelby ever requires pressure greater than 30 psi, North Shelby shall be responsible for the costs associated with that increased pressure. North Shelby will pay \$5,000.00 toward the cost of the meters, vault, and associated equipment. No later than 30 days after the completion of all of the following events, (a) North Shelby's construction of its Warrior Way water tank, (b) North Shelby's construction of a continuous 12-inch (or larger) water main from that tank to the Second Point of Delivery, and (c) LWC's completion of a new storage facility in the Long Run Park area, the parties agree to an increase in the maximum flow rate at this Second Point of Delivery to 750 gpm.

3. Minimum Water Consumption. In consideration of the addition of the Second Point of Delivery, increased flow availability to North Shelby, and the extension of the current contract to a 42 year "rolling" contract, North Shelby agrees to an immediate increase in minimum annual water purchase from the current 3 million gallons per year to 15 million gallons per year. In addition, North Shelby and LWC agree to negotiate in good faith establishing new monthly minimums that justify the infrastructure investments made by both parties.

4. Emergency Failures. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire, use of water to fight fire, labor unrest, earthquake, tornado, or other extraordinary circumstances beyond the reasonable control of LWC shall excuse LWC from the terms of this Amendment and from the terms of the Agreement for such reasonable period of time as may be necessary to resolve the situation.

5. Quality. The water furnished by LWC to North Shelby at both points of delivery (the Initial Point of Delivery and the Second Point of Delivery) shall be treated, potable water meeting applicable purity standards of the appropriate regulatory agency(ies) (presently the Kentucky Cabinet for Natural Resources and Environmental Protection) as such standards may change from time to time.

6. Metering Arrangements. Paragraph 3 of the Agreement

regarding Metering Arrangements shall apply to the Second Point of Delivery described in this Amendment at Paragraph 2.

7. Future Rate Reduction. When North Shelby's consumption increases to 30 million gallons per month, for 12 consecutive months, whether by merger, shifting supply sources, or system growth, LWC agrees to negotiate in good faith a lower wholesale rate. The parties recognize that a lower wholesale rate would be dependent on a number of reasonable factors, including minimum daily rate of consumption, maximum daily rate of consumption, maximum hourly rate of consumption, the term of the contract, and approval by the Kentucky Public Service Commission. LWC agrees that the wholesale rate charged to North Shelby shall not exceed any water rate charged by LWC to any other similarly situated customer. "Similarly situated" customers shall be those customers with water consumption levels similar to those of North Shelby, provided that any customers located in the elevated service area shall pay the standard elevated service charge.

8. Hermitage Ridge Subdivision Service. LWC will immediately terminate water purchases from North Shelby's master meter on Ash Avenue.

9. North Shelby/West Shelby Connections.

(a) Webb Road Master Meter. LWC acknowledges that North Shelby is selling water to West Shelby Water District through a meter connection located on Webb Road approximately one mile north of U.S. 60, and LWC further acknowledges that the arrangement is temporary and based upon West Shelby's inability to adequately serve that area of its system. North Shelby agrees this metering point will be eliminated or converted to an emergency-only connection as soon as West Shelby is able to feasibly serve that area by itself. LWC consents to this arrangement on the condition that LWC-supplied water is used to supply both sides of that meter.

(b) Todds Point Road Master Meter. LWC acknowledges West Shelby Water District is selling water to North Shelby through a meter connection located on Todd's Point Road approximately one mile north of U.S. 60, and LWC further acknowledges that the arrangement is temporary and based upon North Shelby's inability to adequately serve that area of its system. North Shelby agrees this metering point will be eliminated or converted to an emergency-only connection as soon as North Shelby is able to feasibly serve that area by itself. LWC consents to this arrangement on the condition that LWC-supplied water is used to supply both sides of that meter.

(c) Future Wholesale Agreement for North Shelby. North Shelby shall give LWC 90 days prior written notice of any proposed North Shelby sales of LWC-treated water to any other entity for the purpose of resale. Such sales shall be permitted on the condition

that the back-flow prevention warranty set forth in paragraph 11(d) hereof is observed by North Shelby and LWC does not object to the proposed sale within such 90 day notice period. LWC will not unreasonably object.

10. Term. The Agreement shall have a term of 42 years from the date of execution of this Amendment, which term shall automatically extend for one additional year at each anniversary of the execution of this Amendment. Either party may give notice to the other party prior to the anniversary of the execution that the term shall not be automatically extended. The parties agree that the termination provisions contained in the Agreement remain in full force and effect throughout the term of the Agreement and this Amendment.

11. North Shelby Warranties. North Shelby warrants and covenants as follows:

(a) That it will not sell water provided under this Amendment or the Agreement to any water district, water utility, or any other entity acquiring same for the purpose of resale, except in accordance with the Agreement as amended;

(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 the Agreement as amended shall not exceed the limits specified herein;

(d) That the water supplied pursuant to the terms of the Agreement and this Amendment shall be separated by atmospheric gap or LWC approved back-flow prevention devices to prevent mixing with water from any other source.

12. LWC Warranty. LWC warrants and covenants that it will not sell water to retail customers within the geographical boundaries of North Shelby's service area without first obtaining written consent of North Shelby.

13. Miscellaneous Matters.

(a) The provisions, terms and conditions of the Agreement are ratified and affirmed as written, and incorporated herein by reference, except to the extent that any such provision, term or condition is altered by this Amendment.

(b) The parties agree that construction and performance of this Amendment and the Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky. If any paragraph, clause, or provision of this Amendment



or the Agreement is held to be invalid or unenforceable by a court of law, such holding shall not affect the validity of the remaining paragraphs, clauses and provisions hereof.

(c) The parties agree that this Amendment and the Agreement supersede all previous agreements, oral or written, between LWC and North Shelby, and, further, that if this Amendment should conflict in any material way with the Agreement, the terms of this Amendment shall prevail. This Amendment and the Agreement constitute the entire agreement between the parties.

(d) this Amendment and the Agreement may not be altered, modified, amended or rescinded without the written consent of the parties.

(e) the address for Notices to the parties are as follows:

(1) If to North Shelby:

North Shelby Water Company  
P.O. Box 97  
Bagdad, KY 40003  
Attn: President

(2) If to LWC:

Louisville Water Company  
550 S. Third Street  
Louisville, KY 40202  
Attention: President

(f) The parties agree that they will work together in good faith to serve new customers and developments adjacent and along the Jefferson/Shelby County line.

IN TESTIMONY WHEREOF, witness the signatures of the parties by their duly authorized officers as of the day and year first above written.

LOUISVILLE WATER COMPANY

NORTH SHELBY WATER COMPANY

By:   
John L. Huber, President

By:   
Duncan LeCompte, President

Date: 1/22/01

Date: 12/27/00

This First Amendment to Water Purchase Agreement is approved  
on behalf of Rural Development this \_\_\_\_\_ day of \_\_\_\_\_,  
200\_\_\_\_.

RURAL DEVELOPMENT

By: \_\_\_\_\_

Title: \_\_\_\_\_

2wtr\ns\lwc\execution.12

**SALE OF THE STOCK OF  
GOSHEN UTILITIES, INC. ("GOSHEN")  
BY  
AQUASOURCE UTILITY, INC. ("SELLER")  
TO  
LOUISVILLE WATER COMPANY ("BUYER")**

**Closing Documents Index**

**Effective July 31, 2002**

**SALE OF THE STOCK OF  
GOSHEN UTILITIES, INC. ("GOSHEN")  
BY  
AQUASOURCE UTILITY, INC. ("SELLER")  
TO  
LOUISVILLE WATER COMPANY ("BUYER")**

**Closing Documents Index**

**Effective July 31, 2002**

<b><u>Transaction Documents</u></b>	<b><u>Tab No.</u></b>
Letter of Intent.....	1
First Amendment to Letter of Intent.....	2
Stock Purchase Agreement.....	3
A)    Schedules and Exhibits	
First Amendment to Stock Purchase Agreement.....	4
Stock Certificate, together with Stock Power.....	5
Assignment of Wastewater Purchase Agreement.....	6
Termination of Meter Reading Agreement .....	7
Transfer of Radio Station Authorization and License from Seller to Goshen.....	8
2001 Annual Report of Goshen filed with the Kentucky Public Service Commission ("KPSC") .....	9
Transfer of Excluded Assets.....	10
A)    Bill of Sale	
B)    Real Property Deed	
C)    Utility Easement	
Tangible Personal Property List.....	11
Third Party Consents .....	12
A)    KPSC (Application and Approval)	
B)    Federal Communications Commission (Radio License and Authorization)	
Officer's Certificate of Seller.....	13
Officer's Certificate of Buyer .....	14
Secretary's Certificate of Seller .....	15
A)    Resolutions of the Board of Directors	

Secretary's Certificate of Buyer.....	16
A)    Resolutions of the Board of Directors	
Certificate of Existence of Seller.....	17
Certificate of Existence of Goshen.....	18
Certificate of Existence of Buyer .....	19
Resignation of Goshen's Director and Officers .....	20
Closing Statement.....	21
A)    Wire Instructions from Seller	
Notice of Consummation to KPSC.....	22
Working Capital Adjustment Calculation .....	23



# LOUISVILLE WATER COMPANY

550 SOUTH THIRD STREET • LOUISVILLE, KENTUCKY 40202

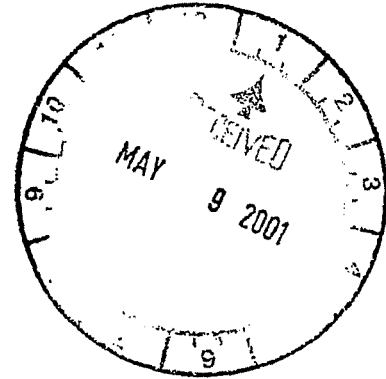
TEL 502-569-3600 FAX 502-569-0815

## CONFIDENTIAL

May 7, 2001

Mr. Frank A. Hoffmann, President  
AquaSource  
200 Corporate Center Drive  
Suite 300  
Moon Township, PA 15108

VIA FAX: 412/393-3636



Dear Frank:

Thank you for a most productive and pleasant meeting April 26, 2001.

This letter follows up our discussions, and it captures our points of agreement. If, after your review, you agree that this letter accurately captures our points of agreement on the two proposed transactions we discussed, please sign one of the two originals provided, and return it to me.

One proposed transaction is between Louisville Water Company, a municipal corporation (LWC), and the following entities: Water One, Inc., an Indiana corporation (Water One), Wastewater One, Inc., an Indiana corporation (Wastewater One), and The Reynolds Group, Inc., an Indiana corporation (Reynolds). In that proposed transaction, Water One, Wastewater One, and Reynolds will each assign to LWC, and LWC will accept assignment (including assignment of their respective rights and assumption of their respective obligations) from each of them (Water One, Wastewater One and Reynolds) of that Facilities Use Agreement (INAAP Water Lease) dated October 1, 1996, between ICI Americas Inc. and Water One, Wastewater One, and Reynolds, as previously amended and assigned. The parties agree that this transaction will not involve the Water One, Wastewater One and Reynolds obligations under that Facilities Use Agreement dated November 17, 1995 (the INAAP Wastewater Lease).

The other proposed transaction is between LWC and AquaSource Utilities, Inc., a Texas corporation (AUI). In that proposed transaction, LWC will purchase from AUI all of the issued and outstanding capital stock of Goshen Utilities, Inc. (Goshen), a Kentucky corporation and wholly owned subsidiary of AUI.

Goshen, Water One, Wastewater One, and Reynolds are affiliates of AUI, and Goshen, Water One, Wastewater One, Reynolds, and AUI are all direct or indirect subsidiaries of AquaSource, Inc., a Delaware corporation, (collectively referred to in this letter as AquaSource).

Prior to the closing of the Proposed Transactions, Goshen will sell or otherwise transfer to a third party all of Goshen's assets used or useful in connection with its ownership and operation of wastewater facilities and systems and not used or useful in connection with ownership and operation of water facilities and systems. Assets used or useful to the respective water and wastewater facilities will be so categorized in the Purchase Agreement to be drafted between AquaSource and LWC. If Goshen should receive any compensation in connection with such a transfer of assets connected to ownership and operation of wastewater facilities and systems, Goshen shall be free to distribute that compensation to AUI as a dividend prior to closing, and such distribution will have no effect on the Proposed Transactions, including no effect on any consideration to be paid by LWC to AquaSource in these Proposed Transactions.

AquaSource shall provide additional information on the four (4) employees of the Goshen Water System as requested by LWC, and, upon completion of the acquisition of the Goshen Water System by LWC, those four employees will receive offers of employment from LWC (contingent on results of pre-employment drug screens and background checks required of all prospective LWC employees).

The aggregate purchase price for the Proposed Transactions is \$9.5 M, with purchase price to be apportioned between the two acquisitions as follows: \$3.0 M for the Goshen Water System, and \$6.5 M for the INAAP wellfield leasehold interest.

Closing of the Proposed Transactions will be contingent on completion of a due diligence investigation by LWC with that due diligence to include operational, environmental and legal/regulatory issues related to the Goshen Water System and the INAAP wellfield, and with that due diligence investigation to be concluded by LWC no later than six (6) months after the date of this letter, unless the parties agree in writing to extend the due diligence investigation period beyond that initial six month period.

During that six month due diligence investigation period, AquaSource shall not negotiate with any party other than LWC for acquisition of the Goshen Water System and/or the INAAP wellfield leasehold interest.

If any due diligence concerns arise during this six month due diligence investigation, LWC's recourse is withdrawal from these Proposed Transactions, not reduction in the purchase price agreed to by the parties.

The Closing of the Proposed Transactions will be contingent, as well, on LWC's successful negotiation with the ReUse Authority and/or the US Army for reductions in the current royalty payment provisions and for extension of the term of the lease. LWC shall conduct these negotiations without AquaSource present; LWC will keep ASI advised of the progress made and the proposed resolution of key issues. If LWC is unsuccessful in negotiating reductions in the current royalty payment provisions and/or extension of the lease, LWC's recourse is withdrawal from this transaction, not reduction in the purchase price agreed to by the parties. AquaSource representatives shall attend the initial meeting to assist with introductions and to provide background information on earlier discussions between AquaSource and the ReUse Authority.

The Closing of the Proposed Transactions will be contingent on approval of a mutually acceptable definitive agreement (Purchase Agreement) by the LWC Board of Water Works and by the governing board of AquaSource, as well as on approvals from all necessary regulatory authorities in Indiana and Kentucky. The Purchase Agreement will provide that the Closing of the Proposed Transactions shall occur, if at all, not later than six months after the date of this letter (the Closing Date), or on such other date as the parties hereto may agree. Not later than 120 days after the date of this letter, LWC and AquaSource will negotiate, execute and deliver the Purchase Agreement.

AquaSource shall release LWC (and shall secure any necessary releases of LWC and/or approvals of the necessary releases) from those provisions of the confidentiality agreement that previously prohibited LWC's direct contact with the US Army and LWC's direct contact with the ReUse Authority, as of the date of this letter (a draft release of the Confidentiality Agreement between AquaSource and LWC is enclosed with this letter).

AquaSource shall provide a proposal to LWC for AquaSource's continued operation and maintenance of the water supply and distribution and related appurtenances of the INAAP facility, as soon as possible.

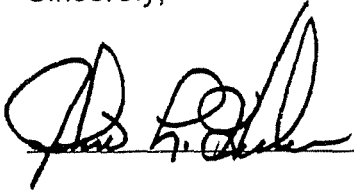
Unless the parties agree in writing to the contrary, this letter shall automatically terminate upon the earlier of (a) the execution and delivery of the Purchase Agreement referenced above, and (b) the date that is 120 days after the date of this letter.

This letter does not purport to cover all matters which the parties anticipate would be included in the Purchase Agreement. Except for the obligation of AquaSource herein to negotiate exclusively with LWC during the period specified, the parties understand and acknowledge that this letter merely expresses the parties' mutual intention with respect to the Proposed Transactions and does not constitute an obligation binding on the parties hereto. The parties anticipate that the Purchase Agreement shall constitute the binding obligation on the parties hereto.



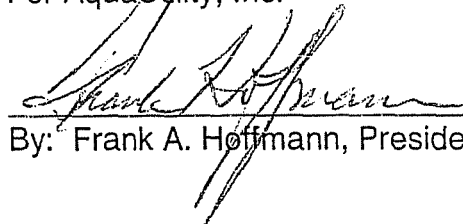
Each party shall bear its own expenses relating to the negotiation and execution of this letter and the Purchase Agreement contemplated hereby, and the performance of such party's obligations hereunder and thereunder. Any amendment, modification or waiver of the terms and conditions of this letter shall be effective only if in writing and duly executed by each of the parties hereto. This letter may be executed in one or more counterparts, each of which together shall constitute a single instrument. The parties agree that facsimile signatures shall have the same force and effect as original signatures hereunder.

Sincerely,



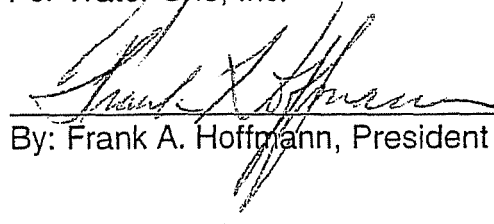
John L. Huber, President  
Louisville Water Company

Agreed:  
For AquaUtility, Inc.



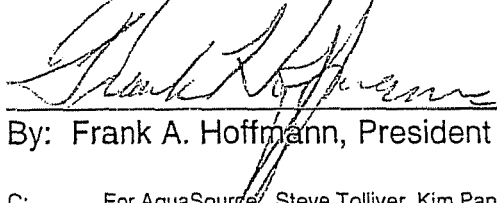
By: Frank A. Hoffmann, President

For Water One, Inc.



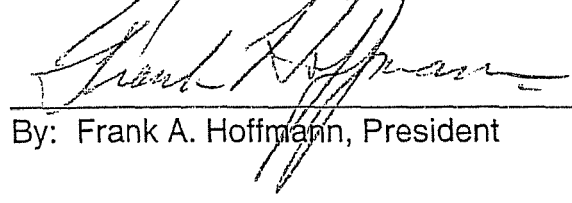
By: Frank A. Hoffmann, President

For WasteWater One, Inc.



By: Frank A. Hoffmann, President

For The Reynolds Group



By: Frank A. Hoffmann, President

C: For AquaSource: Steve Tolliver, Kim Pandapas  
For LWC: Steve Hubbs, Bob Miller, Greg Heitzman, Kay Ball



200 Corporate Center Drive  
Suite 300  
Moon Township, PA 15108

412-393-3630  
412-393-3636  
fhoffmann@dqe.com

Frank A. Hoffmann  
President

October 16, 2001

Mr. John Huber  
President  
Louisville Water Company  
550 South Third Street  
Louisville, Kentucky 40202

*Joan*  
*LMD*  
*SAH*  
*GCH*  
*Kog*  
*10-26-01*

Dear Mr. Huber:

This letter is in response to LWC's recent inquiry about the schedule contained within the May 7<sup>th</sup> Letter of Intent (LOI).

Please be advised that we are making significant progress on the (bifurcated) Goshen Utilities transactions. To that end, we are in the final stages of divesting the wastewater operations. We expect to have a signed agreement with the purchaser within the next three weeks that will trigger our filing the transfer petition with the KY-PSC. As we noted in our previous letter to you (dated August 14<sup>th</sup> with copy to Mr. Callahan at Baker & Daniels), this transaction took precedence over the potential stock sale of Goshen Utilities' water system to LWC. Nevertheless, the latter transaction is also progressing. Indeed, the work done on the wastewater purchase agreement and supporting schedules has facilitated preparation of certain of the material associated with your counsel's document/data request. We expect to transmit the packet of information to them within the next two weeks. Furthermore, it is my understanding that LWC has completed numerous site visits with AquaSource personnel and has essentially completed your operational due diligence on the Goshen water system. It would appear therefore that, barring unforeseen circumstances, we should be able to negotiate and execute a stock purchase agreement before the end of November. In order to advance the transaction within this timeframe, we suggest that an initial stock purchase agreement be drafted for our review that accurately reflects our understanding as set forth in the LOI.

As you are aware, the progress being made on the INAAP Wellfield aspect of the transaction has been more problematic. From our perspective, this transaction conceptually is a simple assignment to LWC of the existing license agreement currently held by our Water One and Reynolds Group subsidiaries. The ReUse Authority has publicly acknowledged AquaSource's rights under this agreement and LWC's qualifications as an assignee. As such, the legal due diligence should be rather straightforward and not terribly time consuming. To date, we admittedly have not made a concerted effort in responding to your counsel's data/document request regarding this aspect of the transaction, but will certainly do so by contacting your counsel next week. We note however that LWC had made the closing of the proposed transaction contingent upon your successful negotiation with the ReUse Authority

and/or the US Army for reductions in the current royalty payment provisions of the agreement. We were not aware that any substantive progress had been made by the parties to that end. AquaSource has consistently supported LWC in advancing this process where and when appropriate for us to do so. We will continue that support toward a successful conclusion.

In light of the above status, and in response to your request to modify the (soon to expire) LOI, we will agree to extend the LOI up through December 31, 2001 with all of the terms of the LOI to remain the same during this extension, subject to the following exceptions. We will agree to modify the LOI further by separating the Goshen transaction from the Water One transaction (per your request) provided the aggregated purchase price is reapportioned between the two acquisitions as follows: \$3.5 M for the Goshen Utilities stock and \$6.0 for the INAAP wellfield leasehold interest.

We trust that the above referenced modifications to the LOI (i.e., extension, separation, reapportionment) are wholly acceptable to you. If so, please acknowledge your consent to these modifications by signing where indicated and return one of the originals to me.

Sincerely,



Frank A. Hoffmann  
President of AquaSource Utility, Inc.,  
Goshen Utilities, Inc., The Reynolds  
Group, Inc. and Water One, Inc.

Accepted and Agreed:  
Louisville Water Company

By: \_\_\_\_\_  
John Huber, President

Dated: \_\_\_\_\_

---

STOCK PURCHASE AGREEMENT

dated as of March 11, 2002

by and between

Louisville Water Company

and

AquaSource Utility, Inc.

---

## STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT, dated as of March 11, 2002 (this "Agreement"), by and between AQUASOURCE UTILITY, INC., a Texas corporation ("Seller"), and LOUISVILLE WATER COMPANY, a municipally owned corporation governed by the Board of Water Works pursuant to KRS 96.230 through 96.310 ("Buyer").

### RECITALS:

A. Seller owns 1,000 shares (the "Shares") of the common stock, without par value (the "Common Stock"), of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), representing, in the aggregate, 100% of the issued and outstanding shares of capital stock of the Company.

B. The Company (i) owns and operates a potable water production, treatment, storage, transmission and distribution system (the "Water System") and (ii) previously owned and operated a sanitary wastewater collection, treatment and effluent disposal system and a grinder pump repair business (the "Wastewater System"), all of which is located in Oldham County, Kentucky.

C. Pursuant to that certain Agreement for Purchase and Sale of Wastewater Assets dated November 14, 2001 between the Company and Oldham County Sanitation District, as amended on February 15, 2002 (the "Wastewater Purchase Agreement"), the Company sold substantially all of the assets of the Wastewater System to Oldham County Sanitation District on February 15, 2002 (the "Wastewater Asset Sale").

D. Seller desires to sell the Shares to Buyer, and Buyer desires to purchase the Shares from Seller, upon the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the respective representations, warranties, covenants and agreements contained herein, the parties hereto hereby agree as follows:

### ARTICLE I

#### SALE AND PURCHASE OF SHARES

1.1 Sale and Purchase of Shares. Upon the terms and subject to the conditions set forth in this Agreement, on the Closing Date (as hereinafter defined), Seller agrees to sell, transfer, convey, assign and deliver to Buyer, and Buyer agrees to purchase, acquire and accept from Seller, free and clear of all Liens (as hereinafter defined), all of the Shares.

## ARTICLE II

### PURCHASE PRICE; CLOSING; POST-CLOSING ADJUSTMENT

2.1 Purchase Price. The aggregate purchase price for the sale and purchase of the Shares (the "Purchase Price") shall be \$3,500,000, subject to adjustment after the Closing Date as set forth in Section 2.4.

2.2 Closing. Upon the terms and subject to the conditions set forth in this Agreement, the closing of the sale and purchase of the Shares (the "Closing") shall take place (a) through the mail on a date mutually selected by Seller and Buyer which is within 20 days after the last of the conditions set forth in Sections 7.1(f)(i) and 7.2(f) shall have been satisfied or waived in accordance with this Agreement (or, if the parties cannot agree on such date, then on the 20<sup>th</sup> day after such last satisfaction or waiver), or (b) at such other place and time and/or on such other date as the parties hereto may mutually agree. The date and time at which the Closing actually occurs is hereinafter referred to as the "Closing Date." In selecting a Closing Date pursuant to and in accordance with this Section, Seller and Buyer shall take into consideration such factors as the billing cycle for the Water System and calendar month-ends.

2.3 Closing Matters. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing:

(a) Buyer shall deliver to Seller the amount of \$3,500,000, by wire transfer of immediately available funds in such amount to an account to be designated in writing by Seller, which designation shall be made at least two business days prior to the Closing Date.

(b) Seller shall deliver to Buyer a certificate or certificates representing the Shares, duly endorsed in blank or accompanied by a stock power or powers duly executed in blank, in proper form for transfer, in each case free and clear of all Liens.

(c) Seller and Buyer shall deliver to each other such other documents, certificates, instruments and writings required to be delivered pursuant to Article VII or otherwise required pursuant to this Agreement.

#### 2.4 Closing Date Working Capital Adjustment.

(a) As promptly as practicable (but in any event within 45 days) after the Closing Date, Buyer shall deliver to Seller Buyer's calculation of Net Working Capital (as hereinafter defined) ("Buyer's NWC Calculation"), together with supporting documentation for such calculation. Upon receipt of Buyer's NWC Calculation, Seller and its representatives shall be permitted during the succeeding 45-day period to examine any books and records of the Company and to have reasonable access during normal business hours to officers and employees of Buyer and the Company and Buyer's representatives and to the work papers and other

documents prepared in the preparation of Buyer's NWC Calculation. At or prior to the end of such 45-day period, Seller shall either inform Buyer in writing that Buyer's NWC Calculation is acceptable or object to it in writing setting forth a specific description of Seller's objections. If Seller objects to Buyer's NWC Calculation as provided above, Buyer and Seller shall attempt to resolve any such objections within 20 days after Buyer's receipt of such written objections. If Buyer and Seller are unable to resolve the disputed matters within such 20-day period, they shall jointly select and engage a firm of independent accountants (the "Accountants") to resolve the disputes and to make any adjustments to Buyer's NWC Calculation. Buyer, Seller and their respective representatives shall make readily available to the Accountants all relevant books, records, work papers and personnel reasonably requested by the Accountants. The Accountants' resolution of the disputes and its adjustments, if any, to Buyer's NWC Calculation shall be limited to the matters in dispute between Seller and Buyer and shall be conclusive and binding upon the parties. Buyer and Seller each shall be responsible for the fees and expenses of their respective representatives, and the fees and expenses of the Accountant, if any, shall be paid equally by Buyer, on the one hand, and Seller on the other hand.

(b) Within two business days after the final determination of Net Working Capital as provided for in Section 2.4(a) (as accepted by Seller or resolved and adjusted (if applicable) by the Accountant, as the case may be), Buyer or Seller, as applicable, shall make payment to the other by wire transfer of immediately available funds, as follows:

(i) If Net Working Capital is greater than \$0, then Buyer shall pay to Seller the amount by which Net Working Capital is greater than \$0.

(ii) If Net Working Capital is less than \$0, then Seller shall pay to Buyer the amount by which Net Working Capital is less than \$0.

(c) For purposes of this Agreement, "Net Working Capital" means (i) total current assets of the Company (including without limitation cash, cash equivalents, accounts receivable and tax refunds due to the Company, but excluding any deferred transaction costs associated with the transactions contemplated hereby or the Wastewater Asset Sale), minus (ii) total current liabilities of the Company (including without limitation accounts payable, accrued expenses and customer deposits), in each case as of the close of business on the calendar day immediately preceding the Closing Date and calculated in accordance with generally accepted accounting principles, consistently applied ("GAAP"). For purposes of the foregoing, no portion of the Permitted Debt (as hereinafter defined) shall be deemed to be a current liability of the Company.

(d) Any amount paid by Buyer or Seller to the other pursuant to Section 2.4(b) shall be deemed for all purposes to be an upward or downward, as applicable, adjustment of the Purchase Price.

## ARTICLE III

### REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as follows:

3.1 Organization and Authority of Seller. Seller is duly organized, validly existing and in good standing under the laws of the State of Texas, and has all requisite power and authority to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Seller, the performance of this Agreement by Seller, and the consummation of the transactions contemplated hereby, have been duly authorized by all necessary action on the part of Seller and no other proceeding on the part of Seller is necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by Seller and constitutes the valid and binding obligation of Seller, enforceable against Seller in accordance with its terms.

3.2 Organization and Qualification of the Company. The Company is duly organized, validly existing and in good standing under the laws of the Commonwealth of Kentucky, and has all requisite power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted. The Company is duly qualified to do business and in good standing in each jurisdiction in which the nature of its business or the ownership, lease or operation of its assets makes such qualification necessary.

3.3 No Conflict; Required Filings and Consents.

(a) Except as set forth on Schedule 3.3, the execution and delivery of this Agreement by Seller do not, and the performance of this Agreement by Seller and the consummation of the transactions contemplated hereby will not, (i) conflict with or violate the articles of incorporation or by-laws of Seller or the Company, (ii) conflict with or violate any United States federal, state, local or foreign law, statute, ordinance, rule, regulation, order, judgment or decree applicable to Seller or the Company or by or to which any of their respective properties or assets is bound or subject, or (iii) result in any breach of, or constitute a default (or an event that with notice or lapse of time or both would constitute a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or require payment under, or result in the creation of any lien, encumbrance, security interest, mortgage, pledge, claim, option or restriction of any kind whatsoever (collectively, "Liens") on any of the properties or assets of Seller or the Company pursuant to, any agreement, lease, license, contract, note, mortgage, indenture or other contractual arrangement or obligation (collectively, "Contracts") to which Seller or the Company is a party or by which any of their respective properties or assets is bound.

(b) Except as set forth on Schedule 3.3, the execution and delivery of this Agreement by Seller do not, and the performance of this Agreement by Seller and the



consummation of the transactions contemplated hereby will not, require Seller or the Company to obtain any consent, approval, authorization or permit of, or to make any filing with or notification to, any court, administrative agency or commission or other governmental entity, authority or instrumentality, whether foreign or domestic (a “Governmental Entity”), or any other person or entity (a “Person”).

### 3.4 Capitalization of the Company.

(a) The authorized capital stock of the Company consists of 1,000 shares of Common Stock, all of which shares are issued and outstanding and owned beneficially and of record by Seller. No shares of capital stock of the Company are reserved for future issuance pursuant to outstanding stock options, warrants, convertible securities or other rights or for any other purpose. Each of the issued and outstanding Shares has been duly authorized and validly issued and is fully paid and nonassessable.

(b) Seller is the true and lawful owner of, and owns all right, title and interest in and to, all of the Shares, free and clear of all Liens.

(c) There are no options, warrants or other rights (including registration rights), agreements, arrangements, Contracts or other commitments of any character to which any Person is a party relating to the issued or unissued capital stock or other equity interests of the Company to grant, issue or sell any shares of the capital stock or other equity interests of the Company by sale, lease, license or otherwise. There are no obligations, contingent or otherwise, of any Person to repurchase, redeem or otherwise acquire any shares of the capital stock or other equity interests of the Company. The Company does not own, and has not agreed to purchase or otherwise acquire, the capital stock or other equity interests of, or any interest convertible into or exchangeable or exercisable for such capital stock or such equity interests, of any Person. There are no voting trusts, proxies or other agreements, arrangements, Contracts or other commitments by which any Person is bound with respect to the voting of any shares of capital stock or other equity interests of the Company.

3.5 Litigation. Except as set forth on Schedule 3.5, there are no legal actions, suits, mediations, arbitrations, or other legal or administrative proceedings pending or, to Seller’s Knowledge (as hereinafter defined), threatened against the Company that could reasonably be expected to have a material adverse effect on the Water System; and to Seller’s Knowledge there are no facts that might result in any action, suit, mediation, arbitration or other proceedings that could reasonably be expected to have a material adverse effect on the Water System. Except as set forth on Schedule 3.5, the Company is not in default with respect to any judgment, order or decree of any court or any Governmental Entity applicable to the Water System. As used herein, “Seller’s Knowledge” means, collectively, the actual knowledge, after due inquiry, of Stephen R. Tolliver, Sr., Seller’s Vice President of Operations - Midwest Region, and the actual knowledge, without inquiry, of Frank A. Hoffmann, the Company’s President.

3.6 Compliance with Law. Except as set forth on Schedule 3.6, since the date on which Seller acquired the Company, the business operations of the Water System have been

conducted, and are currently being conducted, in all material respects in accordance with all applicable laws, rules, and regulations of all authorities. Except as set forth on Schedule 3.6, to Seller's Knowledge, the Company has not received written notification of any material violation of any governmental rules, regulations, Permits (as hereinafter defined) or other governmental requirements of any type or nature applicable to the ownership, maintenance, construction or operation of the Water System, nor, to Seller's Knowledge, are there any conditions which, by reason of the passing of time or the giving of notice, would constitute such a violation.

3.7 Real Property and Easements. To Seller's Knowledge, Schedule 3.7 identifies all parcels of land that the Company owns or to which the Company has title (collectively, the "Real Property"). To Seller's Knowledge, Schedule 3.7 identifies all easements, licenses, prescription rights, rights-of-way and rights to use public and private roads, highways, streets and other areas owned or used by the Company (collectively, the "Easements"). The Company has exclusive possession, control and, to Seller's Knowledge, ownership and good and marketable title to the Real Property, subject to the Permitted Encumbrances (as hereinafter defined). The Real Property is subject to no Lien other than Permitted Encumbrances. SELLER MAKES NO REPRESENTATION AS TO THE CONDITION OF THE REAL PROPERTY OR EASEMENTS OR AS TO THE CURRENT OR FUTURE CAPACITY AND COMMITMENTS OF THE WATER SYSTEM, AND BUYER ACKNOWLEDGES THAT IT IS ACCEPTING THE REAL PROPERTY, EASEMENTS AND WATER SYSTEM IN "AS IS" CONDITION, WITH ALL FAULTS, WITH NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR AVAILABLE CAPACITY IN THE WATER SYSTEM, EXCEPT FOR (I) THE REPRESENTATIONS SET FORTH IN THIS SECTION AND (II) THE ENVIRONMENTAL LAW COMPLIANCE REPRESENTATIONS SET FORTH IN SECTION 3.11.

3.8 Tangible Personal Property. The Company has exclusive ownership, possession, control, and good and marketable title to all assets used or held for use by the Company in connection with the ownership and operation of the Water System, including without limitation the Company's potable water production, treatment, storage, transmission and distribution system (collectively, the "Tangible Personal Property"), except for (a) assets sold in connection with the Wastewater Asset Sale, (b) assets that may have been sold, or otherwise disposed of, by the Company in the ordinary and usual course of business consistent with past practice and (c) the Excluded Assets (as hereinafter defined). Prior to the Closing, Seller shall deliver to Buyer a true and complete list of the material Tangible Personal Property. The Tangible Personal Property is subject to no Lien other than Permitted Encumbrances. SELLER MAKES NO REPRESENTATION AS TO THE CONDITION OF THE TANGIBLE PERSONAL PROPERTY OR AS TO THE CURRENT OR FUTURE CAPACITY AND COMMITMENTS OF THE WATER SYSTEM, AND BUYER ACKNOWLEDGES THAT IT IS ACCEPTING THE TANGIBLE PERSONAL PROPERTY AND WATER SYSTEM IN "AS IS" CONDITION, WITH ALL FAULTS, WITH NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR AVAILABLE CAPACITY IN THE WATER SYSTEM, EXCEPT AS PROVIDED FOR IN THIS SECTION.

3.9 Zoning. To Seller's Knowledge, the Company has received no written notice of any threatened action or proceeding under any building or zoning ordinance, regulation or law with respect to the Water System.

3.10 Contracts. Schedule 3.10 identifies all Contracts to which the Company is a party (a) which are refunding contracts, (b) which are cell tower contracts and (c) which require the Company to make expenditures in excess of \$10,000 over the term of the contract and are not cancelable upon 30 days or less notice to the other party to such contract (collectively, the "Material Contracts"). The Company is not in default under any Material Contract and, to Seller's Knowledge, no other party to any Material Contract is in default thereunder.

3.11 Environmental Law Compliance.

(a) Definitions.

(i) "Environmental Law" means any federal, state, or local statute, order, regulation, or ordinance, or common law or equitable doctrine relating to the protection of human health or the environment in effect as of the Closing Date and includes but is not limited to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") (42 U.S.C. § 9601 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Clean Water Act (33 U.S.C. § 1251 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), and the Safe Drinking Water Act, (42 U.S.C. § 300f et seq.), as such have been amended or supplemented as of the Closing Date, and the regulations promulgated pursuant thereto and in effect as of the Closing Date.

(ii) "Hazardous Material" means petroleum or any substance, material, or waste which is regulated under any Environmental Law in the jurisdictions in which the Company conducts the Water System's business including, without limitation, any material or substance that is defined as or considered to be a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant," "toxic waste," or "toxic substance" under any provision of Environmental Law.

(iii) "Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, or dispersal into the environment, at or from any property owned or operated by the Company with respect to the Water System or related to Hazardous Materials generated by the Company with respect to the Water System.

(iv) "Remedial Action" means all actions required to (1) clean up, remove, or treat any Hazardous Material; (2) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Material so it does not endanger or threaten to endanger public health or welfare or the environment; or (3) perform pre-remedial studies and investigations or post-remedial monitoring and care directly related to or in connection with any such remedial action.

(b) Representations. Except as set forth on Schedule 3.11, to Seller's Knowledge:

(i) The Company is in material compliance with all applicable Environmental Laws with respect to the Water System and has no material liability thereunder, and there is no reasonable basis for any such liability.

(ii) The Company has obtained all permits required, or has submitted applications for such permits in a timely manner, under applicable Environmental Laws necessary for the operation of the Water System's business as presently conducted.

(iii) The Company has not received, during the 12-month period ending on the date of this Agreement, any communication from, and is not aware of any pending communication from, any Governmental Entity or other party with respect to the Water System and (1) the actual or alleged violation of any Environmental Laws; (2) any actual or proposed Remedial Action; or (3) any Release or threatened Release of a Hazardous Material.

(iv) No polychlorinated biphenyl or asbestos-containing materials, in material violation of Environmental Law, are, or have been, present at any property when owned, operated or leased by the Company with respect to the Water System, nor are there any underground storage tanks, active or abandoned, at any property owned, operated or leased by the Company with respect to the Water System.

(v) There is no Hazardous Material located, in material violation of Environmental Law, at any site that is owned, leased, operated or managed by the Company with respect to the Water System or except as may be necessary or appropriate in the ordinary course of the Company's business, including without limitation chemicals used for treatment (such as chlorine); no site that is owned, leased, operated or managed by Seller with respect to the Water System is listed or formally proposed for listing under CERCLA, the Comprehensive Environmental Response, Compensation Liability Information System ("CERCLIS") or on any similar state list that is the subject of federal, state, or local enforcement actions or other investigations that may lead to claims against the Company for clean-up costs, remedial work, damages to natural resources, or for personal injury claims, including, but not limited to, claims under CERCLA; and there is no reasonable basis for the Company to be named in such claims or for any similar action to be brought against the Company with respect to the Water System.

(vi) Since the date on which Seller acquired the Company, no written notification of a Release of a Hazardous Material has been filed by or on behalf of the Company with respect to the Water System or with respect to any property when owned, operated or leased by the Company with respect to the Water System. No such property currently is listed or proposed for listing in the National Priority List promulgated

pursuant to CERCLA, or CERCLIS, or any similar state list of sites requiring investigation or clean up.

(vii) No Hazardous Material has been released in material violation of Environmental Law at, on, or under any property now or when formerly owned, operated or leased by the Company with respect to the Water System.

3.12 Permits. The Company has valid licenses, permits and other authorizations from Governmental Entities (collectively, "Permits") authorizing it to conduct its present operations with respect to the Water System in the manner in which such operations are now conducted and in of all the territory in which it now renders service, including without limitation Permits from the Kentucky Public Service Commission ("KPSC"). To Seller's Knowledge, Schedule 3.12 identifies all material Permits held by the Company.

3.13 Financial Statements.

(a) Seller has previously delivered to Buyer the Company's unaudited balance sheet as of December 31, 2001, and the Company's unaudited income statement for the year ended December 31, 2001 (collectively, the "Company Financial Statements"). To Seller's Knowledge, each of the Company Financial Statements (i) has been prepared in accordance with GAAP (subject to the lack of footnote disclosure) and (ii) fairly and accurately presents in all material respects the financial position of the Company at the date indicated therein and the results of operations of the Company for the period set forth therein.

(b) Except as set forth in the Company Financial Statements or on Schedule 3.13, to Seller's Knowledge, (i) the Company is not subject to any liability or obligation (whether direct or indirect, accrued, fixed, contingent or otherwise), other than current liabilities and obligations incurred in the ordinary course of business consistent with past practice, and (ii) and there are no facts or circumstances that could result in any claims against or obligations or liabilities of the Company that could reasonably be expected to have a material adverse effect on the Water System.

3.14 Absence of Certain Changes or Events. Except as set forth on Schedule 3.14, to Seller's Knowledge, since December 31, 2001, (a) the Company has operated the Water System only in the ordinary and usual course of business consistent with past practice; (b) there has not occurred any event or circumstance that would have required the consent of, or notice to, Buyer pursuant to Section 5.1, 5.2 or 5.3 if this Agreement had been in effect on such date; and (c) there has not occurred any other event, circumstance or other change that has had or could reasonably be expected to have a material adverse effect on the Water System.

3.15 Insurance. Schedule 3.15 sets forth a true and correct list of all liability, fire, casualty, fidelity, workers' compensation and other insurance policies currently held by or on behalf of the Company, and a description of any self-insurance arrangements by or affecting the Company, including any reserves established thereunder. To Seller's Knowledge, all of such policies are in full force and effect, all premiums with respect thereto are currently paid and the

Company has received no notice of cancellation or other notice that any such policy will not be renewed.

3.16 Taxes. Since the date on which Seller acquired the Company, (a) the Company has filed or caused to be filed on a timely basis all federal, state, local and other tax returns, reports and declarations required to be filed by it and has paid all Taxes (as hereinafter defined) reflected as due on such returns, reports or declarations, or pursuant to any assessment received by it in connection with such returns, reports or declarations; (b) all returns, reports and declarations filed by or on behalf of the Company are true, complete and correct in all material respects; and (c) no deficiency in payment of any Taxes for any period has been asserted against the Company by any taxing authority which remains unsettled at the date hereof, no written inquiries have been received by the Company or Seller from any taxing authority with respect to possible claims for Taxes owed by the Company, and, to Seller's Knowledge, there is no basis for any additional claims for Taxes owed by the Company. The Company is not a party to any tax sharing or tax allocation agreement or arrangement of any kind, whether written, unwritten or informal. As used herein, "Taxes" means all taxes, charges, fees, levies or other assessments, including income, gross receipts, excise, property, sales, transfer, license, payroll and franchise taxes, and any taxes required by law to be withheld, which are imposed by any Governmental Entity; and such term shall include any interest, penalties or additions to tax attributable to such assessment.

3.17 Benefit Plans.

(a) As used in this Agreement:

(i) "Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute.

(ii) "Employees" means the employees or former employees of AquaSource, Inc., which owns all of the issued and outstanding shares of capital stock of Seller ("Parent"), who perform or performed services for the Company on substantially a full-time basis. The Company does not have any employees of its own.

(iii) "Employee Plans" means any pension, retirement, profit-sharing, deferred compensation, stock purchase, stock option, bonus or other incentive plan, any program, arrangement, agreement or understanding relating to or otherwise providing medical, dental or other health benefits to or for the benefit of Employees, any life insurance, accident, disability, workers' compensation, severance or separation plan, any fringe benefit plan or program, or any other employee benefit plan, including, without limitation, any employee benefit plan (as defined in Section 3(3) of ERISA) maintained, contributed to or required to be contributed to by the Company or any ERISA Affiliate (as hereinafter defined) on behalf of the Employees, and, with respect to all of the above, under which Employees are eligible to participate or derive a benefit.

(iv) “ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor statute.

(v) “ERISA Affiliate” means any entity that is under common control with the Company within the meaning of Section 4001(b) of ERISA.

(b) The Company does not sponsor any Employee Plans. Employees participate in Employee Plans sponsored by Parent or DQE, Inc. (“DQE”). To Seller’s Knowledge, Schedule 3.17 sets forth a true, correct and complete list of all of the Employee Plans in which Employees participate.

(c) Neither the Company nor any ERISA Affiliate contributes to, is obligated to contribute to, has ever contributed to, or has ever been obligated to contribute to, and none of the Employees is a participant in, any Employee Plan subject to Title IV of ERISA, except that certain ERISA Affiliates have contributed to the plans listed at item nos. 4 and 5 on Schedule 3.17.

(d) Neither the Company nor any ERISA Affiliate contributes to, is obligated to contribute to, has ever contributed to, or has ever been obligated to contribute to, and none of the Employees is a participant in, any multiemployer plan, within the meaning of Section 4001(a)(3) or Section 3(37) of ERISA, except that ERISA Affiliates contribute to the following multiemployer plans (which the Employees do not participate in): Laborers International Union of North America National Pension Fund, Laborers and Employers Educational Trust and the Pittsburgh High Technology Council Plans. In addition, neither the Company nor any ERISA Affiliate has incurred any withdrawal liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 of ERISA as a result of a complete or partial withdrawal (within the meaning of Section 4203 or 4205 of ERISA) from any such multiemployer plan. In addition, the transactions contemplated by this Agreement will not result in any such complete or partial withdrawal or cause the Company or any ERISA Affiliate to incur withdrawal liability.

(e) All contributions and other payments required to be made to any Employee Plan on behalf of Employees have been made, or reserves adequate for such contributions or other payments have been set aside therefor on the Company Financial Statements. On behalf of Employees, Parent and/or DQE have paid all liabilities for insurance premiums for benefits provided on or prior to the Closing Date under the insured Employee Plans and have paid all amounts due prior to the Closing Date as contributions under each Employee Plan that is a pension plan within the meaning of Section 3(2) of ERISA. There are no outstanding liabilities relating to Employees under any Employee Plan other than liabilities for benefits to be paid in the ordinary course to participants in such Employee Plan and their beneficiaries.

(f) No event has occurred, and there exists no condition or set of circumstances in connection with any Employee Plan, under which the Company could be

subject to any risk of liability under ERISA Sections 409, 502(i), or 502(l), ERISA Title IV, or Section 4975 of the Code.

(g) Employees shall be entitled to receive benefits from Parent and DQE, as applicable, at the times, and in the forms and amounts, provided under the relevant Employee Plan.

(h) All Employee Plans shall remain with Parent and DQE, as applicable, and, except with respect to the Severance Program (as hereinafter defined) as contemplated by Section 5.7, Buyer shall have no liability with regard to any aspect of any Employee Plan, including the payment of any contributions, benefits or withdrawal liability under or pursuant to any such Employee Plan. In addition, Buyer shall have no liability with regard to any aspect of any other employee benefit plan (as defined in Section 3(3) of ERISA) of Parent, DQE or any ERISA Affiliate, including the payment of contributions, benefits or withdrawal liability under or pursuant to any such plans.

3.18 Labor Matters. The Company does not currently have any employees. Schedule 3.18 sets forth a true, correct and complete list of all Employees performing services on a full-time basis for the Company, along with their current compensation. Except as set forth on Schedule 3.17, there are no employment contracts or agreements for a specified duration, agreements providing for severance or other benefits in the event of termination, or agreements establishing a standard of just cause for dismissal between Parent and such Employees. Seller has delivered to Buyer a true and complete copy of the severance program applicable to such Employees and listed on Schedule 3.17 (the "Severance Program"). Except as set forth in the Severance Program, upon termination of the employment of any of such Employees at or prior to the Closing, neither DQE, Parent, Seller, the Company nor Buyer will be liable, directly or indirectly, to any of the terminated Employees for severance pay or other severance benefits, whether by policy, benefit plan, practice or Contract.

3.19 Brokers. No broker, finder or investment banker, including any director, officer, employee, affiliate or associate of Seller, is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based on arrangements made by or on behalf of Seller or the Company or any of their affiliates.

## ARTICLE IV

### REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as follows:

4.1 Organization and Authority. Buyer is a municipally owned corporation governed by the Board of Water Works pursuant to KRS 96.230 through 96.310, is duly organized, validly existing and in good standing under the laws of the Commonwealth of Kentucky, and has all requisite power and authority to execute and deliver this Agreement, to perform its obligations



hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Buyer, the performance of this Agreement by Buyer and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Buyer and no other proceeding on the part of Buyer is necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by Buyer and constitutes the valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

#### 4.2 No Conflict; Required Consents and Approvals.

(a) The execution and delivery of this Agreement by Buyer do not, and the performance of this Agreement by Buyer and the consummation of the transactions contemplated hereby will not, (i) conflict with or violate the articles of incorporation or the by-laws of Buyer, (ii) conflict with or violate any United States federal, state, local or foreign law, statute, ordinance, rule, regulation, order, judgment or decree applicable to Buyer or by or to which any of its properties or assets is bound or subject or (iii) result in any breach of, or constitute a default (or an event that with notice or lapse of time or both would constitute a default) under, any Contracts to which Buyer is a party or by which any of its properties or assets is bound.

(b) The execution and delivery of this Agreement by Buyer do not, and the performance of this Agreement by Buyer and the consummation of the transactions contemplated hereby will not, require Buyer to obtain any consent, approval, authorization or permit of, or to make any filing with or notification to, any Governmental Entity or any other Person, other than as contemplated by Section 5.5(b).

4.3 Brokers. No broker, finder or investment banker, including any director, officer, employee, affiliate or associate of Buyer, is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Buyer or any of its affiliates.

4.4 Financial Capacity. Buyer has sufficient funds available to satisfy in full its obligation to pay the Purchase Price at the Closing.

## ARTICLE V

### COVENANTS

5.1 Conduct of Business. Except as contemplated by this Agreement, from and after the date hereof and pending the Closing, unless Buyer shall otherwise consent in writing (which consent will not be unreasonably withheld, conditioned or delayed), Seller shall, and shall cause the Company to, (a) operate the Water System only in the ordinary and usual course of business consistent with past practice; (b) maintain all existing policies of insurance (or comparable policies) of or relating to the Company in full force and effect; (c) use commercially reasonable efforts to preserve the business organization of the Company intact; (d) use commercially

reasonable efforts to keep available the services of the current Employees; and (e) use commercially reasonable efforts to preserve the Company's existing relationships with suppliers, distributors, customers and others having business relations with the Company. Notwithstanding anything to the contrary in this Section or in this Agreement, neither Seller nor the Company shall be obligated to make any capital improvements or capital expenditures with respect to the Water System.

5.2 Forbearances. Except as contemplated by this Agreement, from and after the date hereof and pending the Closing, Seller shall cause the Company to not do any of the following without the prior written consent of Buyer (which consent will not be unreasonably withheld, conditioned or delayed):

(a) incur any debts, obligations or other liabilities of any kind, character or description, whether accrued, absolute, contingent or otherwise, other than in the ordinary and usual course of business consistent with past practice;

(b) incur any indebtedness for borrowed money (other than trade debt incurred in the ordinary and usual course of business consistent with past practice);

(c) assume, guarantee, endorse or otherwise become responsible for the obligations of, or make any loans or advances to, any Person, other than loans and advances made to Employees in the ordinary and usual course of business consistent with past practice;

(d) make any capital expenditure or any investment of a capital nature, other than in the ordinary and usual course of business consistent with past practice;

(e) sell, lease, transfer, convey or otherwise dispose of, or cause or permit any Lien to exist (other than Permitted Encumbrances) on, any of its assets, other than the transfer of the Excluded Assets as provided in Section 5.19 and disposals of immaterial assets made in the ordinary and usual course of business consistent with past practice;

(f) default in the performance of any Material Contract, or waive any default or potential default by any other party to any Material Contract, or waive, release, compromise, settle or assign any rights or claims under any Material Contract, or amend, modify or terminate any Material Contract;

(g) enter into any Contract that would be material to the business of the Company, other than in the ordinary and usual course of business consistent with past practice;

(h) issue or sell, or issue options or rights to subscribe to, or enter into any Contracts or commitments to issue or sell, any shares of its capital stock; (ii) subdivide or in any way reclassify any shares of its capital stock or change or agree to change in any manner the rights of its outstanding capital stock; or (iii) make any direct or indirect redemption, retirement, purchase or other acquisition of any shares of its capital stock;

(i) release, compromise or settle any material claim, action or legal proceeding, other than in the ordinary and usual course of business consistent with past practice;

(j) enter into any other material transaction or make any other material commitment in connection with the business of the Company; or

(k) enter into any agreement, or adopt any resolution, to do any of the things described in subsections (a) through (j) above.

5.3 Notification of Certain Matters. From and after the date hereof and pending the Closing, (a) Seller shall give prompt notice to Buyer of the discovery by Seller of any breach by Seller of any of its representations and warranties contained herein, or of any of its covenants contained in Section 5.1 or 5.2; and (b) Buyer shall give prompt notice to Seller of the discovery by Buyer of any breach by Buyer of any of its representations and warranties contained herein.

5.4 Access; Confidentiality.

(a) Seller shall cause the Company to provide Buyer and its employees, accountants, consultants, legal counsel, agents and other authorized representatives reasonable access during regular business hours and upon reasonable notice to the assets, properties, contracts, commitments, books and records of the Company for the purpose of making such investigations concerning the affairs of the Company as Buyer may reasonably desire, and Seller shall, and shall cause the Company to, furnish Buyer such information as Buyer may from time to time reasonably require with respect to the Company and its affairs. Seller shall cause the officers of the Company and the Employees to assist Buyer in making any such reasonable investigation and shall cause the counsel, accountants, consultants and other non-employee representatives of Seller and the Company to be reasonably available to Buyer for such purposes.

(b) Other than with respect to filings with the KPSC and subject to Buyer's obligations pursuant to open records laws and other applicable laws, Buyer shall maintain in strict confidence, and shall not disclose to anyone other than its employees, attorneys and consultants who have a need to know in order to consummate the transactions contemplated by this Agreement (and who shall be bound by a similar obligation of confidentiality), any information regarding the Company, the Water System, this Agreement and the transactions contemplated hereby, unless and until the Closing shall have occurred. Buyer shall remain liable for any breaches of this Section 5.4(b) by its employees, attorneys and consultants.

5.5 Appropriate Action; Consents; Filings.

(a) From and after the date hereof, each of the parties hereto shall use commercially reasonable efforts to (i) take, or cause to be taken, all appropriate action, and do, or cause to be done, all things necessary, proper or advisable under applicable law or otherwise to satisfy the conditions to the Closing to be satisfied by it and to consummate and make effective the transactions contemplated by this Agreement, (ii) obtain from any Governmental Entities (including, without limitation, the KPSC) or other Persons any consents, licenses, permits,

waivers, approvals, authorizations or orders required to be obtained or made by any party hereto in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and (iii) make all necessary filings, and thereafter make any other required submissions, with respect to this Agreement required under any applicable United States federal, state, local or foreign law; provided, that the parties hereto shall cooperate with each other in connection with the making of all such filings, including providing copies of all such documents to the non-filing parties and their respective advisors prior to filing and, if requested, to accept all reasonable additions, deletions or changes suggested in connection therewith.

(b) The parties acknowledge that the transactions contemplated by this Agreement are subject to the jurisdiction of the KPSC. The parties shall fully cooperate with each other to obtain the regulatory approval of the KPSC to the extent consistent with its jurisdiction over the Company and the Water System, and shall use commercially reasonable efforts to obtain, as soon as possible after the date of this Agreement, such approval. Without limiting the generality of the foregoing, Buyer shall prepare and file with the KPSC, within 30 days after the date of this Agreement, an application seeking such approval. At least three business days prior to filing such application, Buyer shall deliver a copy of it to Seller. Buyer shall bear the cost of such filing (if any), but each party shall pay the fees of its attorneys and other advisors in connection with such filing.

5.6 Benefits. Buyer does not agree to, and specifically disclaims any agreement or obligation to, assume any Employee Plan. All Employee Plans shall remain with and remain the complete responsibility of Parent or DQE, as applicable. Except as provided in Section 5.7, any and all benefits under any such Employee Plans that are payable to any Employee at any time on, prior to or after the Closing Date shall remain the responsibility of Parent or DQE, as applicable. Except with respect to the Severance Program as contemplated by Section 5.7, Buyer shall have no liability with regard to any aspect of any Employee Plan, including the payment of any contributions, benefits or withdrawal liability under or pursuant to any such Employee Plan. For notices, payments and benefits related to events occurring on or prior to the Closing Date, Seller shall be responsible for ensuring that Parent or DQE, as applicable, or its insurers, professional employer organizations or other providers of health and other employee benefits coverage offered to Employees prior to the Closing Date (whether through the Employee Plans or otherwise), provide all notices required to be given to Employees pursuant to Section 4980B of the Code ("COBRA") and/or Section 402(f) of the Code and provide any payments or benefits required pursuant to such laws or on account of violation of the requirements of such laws. Effective as of the Closing Date, Seller shall take all action necessary to terminate each Employee's participation in the Employee Plans, except as otherwise provided in the Benefit Plans (e.g., the Severance Program) or under applicable law (e.g., COBRA).

#### 5.7 Employment Matters.

(a) Immediately prior to the Closing, Seller shall cause Parent to terminate the employment of all current Employees and neither Seller nor Parent shall have any severance obligation therefor. Effective at the Closing, Buyer shall offer to hire, or shall cause the

Company to offer to hire, all such Employees on such terms as Buyer sees fit. Buyer agrees that it shall be responsible for any severance payment due to any of the Employees as a result of (i) the termination of any Employee's employment immediately prior to the Closing, (ii) the offer made to any Employee by Buyer or the Company, (iii) the hiring of any Employee by Buyer or the Company or (iv) the termination without cause of the employment of any Employee by Buyer or the Company within 12 months after such Employee begins employment with Buyer or the Company. The calculation of Net Working Capital shall take into account accruals for all payments to be made after the Closing Date to all Employees for any wages, salaries, commissions, bonuses or other direct compensation for any services performed for the Company up through the Closing Date, but not for any severance payments which may be due as a result of actions taken pursuant to this Section.

(b) Notwithstanding anything to the contrary in this Agreement, Seller agrees that Buyer shall not be responsible for any obligations under the Severance Program, except with respect to those Employees who are listed on Schedule 3.18. The previous sentence shall not be construed to expand Buyer's obligations under the Severance Program that are set forth in other parts of this Agreement.

5.8 Books and Records. On the Closing Date, Seller shall deliver to Buyer all minute books, stock records and other corporate records, and all customer lists and records, mailing lists, marketing, sales and promotional materials and records, manuals, training materials, and similar items, and all other books, records, files, data or databases, correspondence, memoranda, notes and other documents or papers, in its possession relating to the Company or its business, other than relating exclusively to the Wastewater System (the "Books and Records"). However, if at any time after the Closing Date, Seller or Buyer discover any other Books and Records that have not been delivered to Buyer, Seller shall promptly deliver them to Buyer. For a period of seven years after the Closing Date, Buyer shall cause the Company to retain all material Tax, finance and legal records of the Company in existence on the Closing Date and to make the same available for inspection and copying by Seller or its authorized representatives at Seller's expense, upon reasonable request and upon reasonable notice. Seller shall not, and shall cause its representatives not to, use any information obtained pursuant to this Section for any purpose unrelated to the transactions contemplated by this Agreement, and all of such information shall remain subject to the terms and conditions of Section 5.4(b).

5.9 Public Announcements. Except as may be required by applicable law (including as a result of Buyer's obligations pursuant to open records laws and other applicable laws), no party hereto shall issue any public announcement, report, statement or press release or otherwise make any public statement regarding this Agreement or the transactions contemplated hereby without the prior written consent of the other parties hereto.

5.10 Environmental Inspection and Remedies. Buyer may, at its option and expense, engage a Kentucky licensed engineer to perform a Phase I environmental survey (and a subsequent Phase II, if necessary) of the Real Property. Copies of each such environmental survey shall be promptly provided by Buyer to Seller. Without limiting the effect of the representations set forth in Section 3.11, Buyer shall satisfy itself that the Real Property being

acquired is in material compliance with all applicable Environmental Law and that Buyer will have no material liability thereunder, and that there is no reasonable basis for the imposition of such liability in the future, due to the condition of the Real Property as of the Closing Date. Should contamination be found on the Real Property prior to the Closing Date, Seller shall have the right, but not the obligation, to perform such clean-up and remediation as is necessary thereunder. Upon Seller's failure to perform such clean-up and remediation, prior to the Closing Date, Buyer may terminate this Agreement, and neither party shall have any liability to the other, or Buyer may proceed to Closing without abatement of the Purchase Price and without recourse against Seller in respect thereof.

5.11 Surveys, Title Insurance and Permitted Encumbrances.

(a) Buyer may obtain, at or prior to Closing and at Buyer's sole cost and expense, such customary surveys and title insurance (or updates thereto) with respect to the Real Property as Buyer reasonably deems necessary. Seller shall cooperate with Buyer in obtaining such title insurance and surveys.

(b) Buyer shall notify Seller in writing, no less than five days after receipt of such title insurance commitment, if any, of any alleged material defect in the Company's title to the Real Property, other than the Permitted Encumbrances. Any objections to title to the extent not shown on the notice furnished by Buyer in accordance with the provisions of this Section shall be deemed to have been waived by Buyer, and Buyer shall not be entitled to any damages or other remedies before or after the Closing in respect thereof. Seller shall have five days, after receipt of Buyer's notice, to eliminate all of the material objections to title set forth in Buyer's notice; provided, however, in no event shall Seller be required to bring suit or expend any sum to cure title defects, exclusive of mortgages against the Property which are in a liquidated amount or which Seller has an obligation to discharge on or before Closing pursuant to the terms of this Agreement. In the event Seller elects not to cure or fails to cure any title defects contained in Buyer's notice to Buyer's reasonable satisfaction, then Buyer may:

(i) Accept whatever title Seller is able to convey with no abatement of the Purchase Price; or

(ii) Reject title and terminate this Agreement with no liability for damages from either Buyer or Seller.

If Buyer rejects title as provided above, neither party shall have any further liability under this Agreement. Buyer shall not object to title by reason of the existence of any Lien or other matter that (x) may be satisfied with a payment of money and Seller elects to do so by paying same at or prior to the Closing Date; (y) is a mechanic's lien or other encumbrance which can be released of record, bonded or transferred of record to substitute security so as to relieve the real estate from the burden thereof and Seller elects to do so at or prior to Closing; or (z) the title insurance company issuing the title insurance commitments affirmatively insures-over.

(c) As used in this Agreement, "Permitted Encumbrances" means and includes the following:

(i) All present and future building restrictions, zoning regulations, laws, ordinances, resolutions, regulations and orders of any Governmental Entity having jurisdiction over the Real Property and the use thereof as represented herein;

(ii) Easements, encroachments, encumbrances, restrictions, reservations, rights-of-way, conditions and limitations of record, if any, which are not coupled with any reverter or forfeiture provisions, including (without limitation) any drainage, canal, mineral, road, or other reservations of record in favor of the Commonwealth of Kentucky or any other Governmental Entity, none of which, however, shall materially impair or restrict the use of the Real Property for the operation of the Water System;

(iii) All matters disclosed in the public records of Oldham County, Kentucky;

(iv) Subject to Section 5.11(b), all matters of title disclosed in the title insurance report, commitment or policy for the Real Property; and

(v) Such other matters as are permitted under the terms of this Agreement.

5.12 Company Liabilities. With respect to various liabilities of the Company and/or Seller, the parties agree as follows:

(a) In connection with Seller's acquisition of the Company in 1999, Seller agreed to pay Lloyd Eades, a former shareholder of the Company, \$125,000 per year for four years (the "Deferred Purchase Price"). The Deferred Purchase Price, of which \$250,000 remains due and payable, is an obligation of Seller and not of the Company. Seller shall pay the Deferred Purchase Price to Lloyd Eades as and when due.

(b) Notwithstanding anything to the contrary herein, at any time prior to the Closing, the Company shall be permitted to incur indebtedness in the principal amount of up to \$114,863.36 (the "Permitted Debt"). The Permitted Debt shall be evidenced by a promissory note in favor of Bank One, N.A. (or another lender) and/or such other loan documents as may reasonably be required, each in form and substance reasonably satisfactory to the Company and Buyer. The Permitted Debt will likely be guaranteed by Seller and/or Parent. At the Closing, (i) the Permitted Debt will not be paid off by Seller, Parent and/or the Company and (ii) Buyer, or an affiliate of Buyer, will provide a replacement guaranty of the Permitted Debt so that the guaranty of the Permitted Debt by Seller and/or Parent, if any, is fully and irrevocably released. Buyer and Seller shall cooperate in taking the actions required pursuant to this Section.

(c) Prior to the Closing, all amounts due to or from the Company from or to Seller or any of Seller's affiliates shall be eliminated in a manner which has no effect (adverse or favorable) on Buyer or the Purchase Price.

5.13 Wastewater Asset Sale. The Wastewater Asset Sale was consummated on February 15, 2002. Notwithstanding anything to the contrary herein, Buyer acknowledges and agrees that (a) the consummation of the Wastewater Asset Sale shall not constitute a breach by Seller of any term of this Agreement and (b) Seller shall be entitled to all of the proceeds from the Wastewater Asset Sale, whether such proceeds are distributed by the Company to Seller as a dividend or otherwise. Immediately prior to the Closing, the Company shall assign to Seller, and Seller shall assume, the Wastewater Purchase Agreement and all of the Company's rights and obligations thereunder. Seller shall use commercially reasonable efforts to cause the Company to be released, prior to the Closing, as a party to the civil action relating to Harmony Lake Dam which is described at item no. 1 on Schedule 3.5.

5.14 Tower Repair. At Buyer's request, prior to the Closing, certain repairs will be made to the water tower located on property owned by the Oldham County Volunteer Fire Department, used in the operation of the Water System and constituting part of the Tangible Personal Property (the "Tower Repairs"). All of the Tower Repairs shall be made at Buyer's sole cost and expense, regardless of whether the Closing occurs and, if the Closing does not occur, regardless of the reason for the Closing not occurring. Subject to Seller's reasonable approval, Buyer shall instruct Seller as to the specific repairs to be made and the contractor or contractors to be used in connection with the Tower Repairs. After receipt of those instructions, Seller shall cause the Company to retain such contractor(s) to make such repairs, and Buyer shall be permitted to monitor the Tower Repairs. Seller or the Company shall pay such contractor(s) for the Tower Repairs, and Buyer shall reimburse Seller or the Company for such payments promptly after Buyer's receipt of a request for reimbursement. Notwithstanding anything to the contrary herein, in no event shall Seller bear any liability as a result of or in connection with (a) the fact that the Tower Repairs may be necessary (with Seller making no representation or warranty whatsoever regarding the current condition of such tower), (b) the design and scope of the Tower Repairs, (c) the quality of the workmanship in making the Tower Repairs, (d) the cost of the Tower Repairs, (e) damage resulting from the Tower Repairs or (f) the Tower Repairs generally.

5.15 Further Assurances. Seller and Buyer shall, and Buyer shall cause the Company to, at any time and from time to time after the Closing Date, upon reasonable request of the other party, (a) execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, all such further documents, acts, deeds, assignments, transfers, powers of attorney and assurances as may be required in order to implement and perform any of the obligations, covenants and agreements of the parties hereunder and (b) cooperate with each other in order to implement and perform any of the obligations, covenants and agreements of the parties hereunder. Without limiting the generality of the foregoing, Buyer shall, and Buyer shall cause the Company to, at any time and from time to time after the Closing Date, take all action necessary to reconvey to Seller (or its successors, assigns or designees) any and all assets which relate exclusively to the Wastewater System.



5.16 No Acquisition Proposals. Seller shall not, and Seller shall cause the Company and the directors, officers, employees and representatives (including, without limitation, any investment banker, attorney or accountant retained by Seller or the Company) of Seller and the Company not to, directly or indirectly, initiate or solicit any inquiries or the making of any proposal with respect to a merger, consolidation or similar transaction involving, or any purchase of all or any significant portion of the assets of, or any equity interest (including, without limitation, the Shares) in, the Company (an “Acquisition Proposal”), or engage in any negotiations concerning, or provide any information or data to, or have any discussions with, any Person relating to any Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement any Acquisition Proposal. Seller shall immediately cease and cause to be terminated any existing activities, discussions or negotiations with any Persons conducted heretofore with respect to any Acquisition Proposal.

5.17 Tax Matters.

(a) Seller shall be responsible for preparing and timely filing, at its sole expense and in compliance with all applicable laws and regulations, any and all tax returns required to be filed in respect of any Taxes owed by the Company with respect to any taxable year or period ending on or prior to the Closing Date (including, without limitation, all income tax returns for the short taxable year ending on the Closing Date). Seller shall timely pay or cause to be paid all Taxes payable with respect to any such taxable year or period (including, without limitation, the short taxable year ending on the Closing Date), except to the extent that such Taxes are accrued and included in the Net Working Capital calculation.

(b) Buyer shall be responsible for preparing and timely filing, at its sole expense and in compliance with all applicable laws and regulations, any and all tax returns required to be filed in respect of any Taxes owed by the Company with respect to any taxable year or period commencing after the Closing Date (including, without limitation, all income tax returns for the short taxable year commencing after the Closing Date). Buyer shall timely pay or cause to be paid all Taxes payable with respect to any such taxable year or period (including, without limitation, the short taxable year commencing after the Closing Date).

(c) Buyer and Seller agree to promptly notify each other upon receipt of notice of any Audit (as hereinafter defined) of the Company for any taxable year or period ending prior to or including the Closing Date, and agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information (including access to books and records) and assistance relating to the Company as is reasonably necessary for the preparation and filing of any tax return for the Company, for the preparation for any Audit of the Company, and for the prosecution or defense of any claim, suit or proceeding relating to any proposed adjustment of Taxes owed by the Company. The parties shall cooperate with each other in the conduct of any such Audit of the Company. As used here, “Audit” means any audit, assessment of Taxes, examination or other proceeding by the Internal Revenue Service of the United States or any other Governmental Entity responsible for the administration of any Taxes, proceeding or appeal of such proceeding relating to Taxes.

5.18 Meter Readings for Wastewater System. Notwithstanding anything to the contrary herein, pending the Closing, the Company may provide to the operator of the Wastewater System all information from the reading of meters for the Water System which is reasonably required in connection with the operation of the Wastewater System. In connection therewith, the Company may enter into an agreement with the operator of the Wastewater System; provided, however, that such agreement shall not continue beyond the Closing Date without the prior approval of Buyer.

5.19 Transfer of Excluded Assets. Prior to the Closing, Seller shall cause the Company to transfer out of the Company those assets listed on Schedule 5.19 (collectively, the "Excluded Assets"). Seller shall be entitled to all of the proceeds, if any, from the transfer of the Excluded Assets, whether such proceeds are distributed by the Company to Seller or a dividend or otherwise.

## ARTICLE VI

### INDEMNIFICATION

6.1 Indemnification by Buyer. Subject to the provisions of this Article VI, Buyer shall indemnify and hold harmless Seller, its directors, officers, employees and affiliates, and its successors and permitted assigns ("Seller Indemnified Parties"), from and against any claim, liability, loss, cost, damage, or expenses (including, without limitation, court costs and reasonable attorney's fees and expenses) (a "Claim") arising out of, resulting from or in any way related to (i) the breach of, or the failure to perform or satisfy any of, the representations, warranties and covenants made by Buyer in this Agreement or (ii) the ownership and operation of the Company after the Closing; and Buyer shall reimburse Seller Indemnified Parties for any legal or other expenses reasonably incurred by Seller Indemnified Parties in connection with investigating or defending any such Claim as such expenses are incurred.

6.2 Indemnification by Seller. Subject to the provisions of this Article VI, Seller shall indemnify and hold harmless Buyer, its directors, officers, employees, affiliates, and its successors and permitted assigns ("Buyer Indemnified Parties"), from and against any Claim arising out of, resulting from or in any way related to (i) the breach of, or the failure to perform or satisfy any of, the representations, warranties and covenants made by Seller in this Agreement, (ii) the consummation of the transactions contemplated by the Wastewater Purchase Agreement or (iii) any Taxes imposed on the Company with respect to periods prior to the Closing to the extent that such Taxes are in excess of the amount which would have been imposed on the Company if it had not filed a consolidated return with Seller and other entities which directly or indirectly own Seller; and Seller shall reimburse Buyer Indemnified Parties for any legal or other expenses reasonably incurred by Buyer Indemnified Parties in connection with investigating or defending any such Claim as such expenses are incurred.

6.3 Indemnification Limitations. No party shall have any indemnification obligation hereunder unless the aggregate of all claims for indemnification from such party shall exceed

\$200,000 and, thereafter, such party shall be liable only for the amount of such claims that shall exceed \$200,000; provided, however, that the foregoing limitation shall not apply with respect to Claims arising out of or resulting from (a) the breach of any representation or warranty made by Seller in Section 3.4(b), (b) the indemnification obligation of Seller pursuant to clause (ii) or (iii) of Section 6.2, (c) the breach of any representation or warranty made by Seller in Section 3.17 to the extent such breach relates to an ERISA Affiliate, (d) the breach of any covenant made by Buyer in Section 5.7(a) or (e) the breach of any covenant made by Seller in Section 5.7(b). Notwithstanding any other provisions hereof, the aggregate liability of each party under this Agreement for breach of any representation, warranty or covenant herein shall not exceed the Purchase Price.

6.4 Survival. The representations, warranties and covenants of the parties contained in this Agreement shall survive the Closing; provided that the rights of each party to initiate any claim for indemnification hereunder shall survive only if notice of such claim shall be given to the other party by the close of business on the date that is one year after the Closing Date, and that proceedings relating to such claim shall have been commenced within two months after the end of such one-year period.

6.5 Sole Remedy. Except as otherwise expressly provided in this Agreement, this Article VI shall constitute the sole remedies available to Buyer and Seller for breaches or alleged breaches of this Agreement.

6.6 Procedure.

(a) In order for a party (the “indemnified party”) to be entitled to any indemnification provided for under this Agreement in respect of, arising out of or involving a claim made by any Person against the indemnified party (a “Third Party Claim”), such indemnified party must notify the indemnifying party in writing of the Third Party Claim within 10 business days after receipt by such indemnified party of written notice of the Third Party Claim; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent the indemnifying party can demonstrate prejudice as a direct or indirect result of such failure. Thereafter, the indemnified party shall deliver to the indemnifying party, within five business days after the indemnified party’s receipt thereof, copies of all notices and documents (including court papers) received by the indemnified party relating to the Third Party Claim.

(b) If a Third Party Claim is made against an indemnified party, the indemnifying party will be entitled to participate in the defense thereof and, if it so chooses, to assume the defense thereof with counsel selected by the indemnifying party but reasonably satisfactory to the indemnified party. Should the indemnifying party so elect to assume the defense of a Third Party Claim, the indemnifying party will not be liable to the indemnified party for any legal expenses subsequently incurred by the indemnified party in connection with the defense thereof. If the indemnifying party assumes such defense, the indemnified party shall have the right to participate in the defense thereof and to employ counsel, which shall be at its own expense. If the indemnifying party chooses to defend or prosecute a Third Party Claim, all

the parties hereto shall cooperate in the defense or prosecution thereof. Such cooperation shall include the retention, after reasonable notice of the need therefor and (upon the indemnifying party's request) the provision to the indemnifying party, of records and information which are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder.

(c) In the event that any indemnified party shall have a claim against any indemnifying party hereunder that does not involve a Third Party Claim, the indemnified party shall transmit to the indemnifying party a written notice (the "Indemnity Notice") describing in reasonable detail the nature of the claim, an estimate of the amount of damages attributable to such claim to the extent feasible (which estimate shall not be conclusive of the final amount of such claim), and the basis of the indemnified party's request for indemnification under this Agreement. If the indemnifying party does not notify the indemnified party within thirty (30) days after its receipt of the Indemnity Notice that the indemnifying party disputes such claim, the claim specified by the indemnified party in the Indemnity Notice shall be deemed a liability of the indemnifying party hereunder.

## ARTICLE VII

### CONDITIONS

7.1 Conditions to Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated hereby are subject to the satisfaction at or prior to the Closing of the following conditions, any or all of which may be waived, in whole or in part, to the extent permitted by applicable law, in a written instrument executed and delivered by Buyer:

(a) Representations and Warranties. Each of the representations and warranties of Seller contained in this Agreement shall have been true and correct in all material respects on and as of the Closing Date, as though made on and as of the Closing Date, except that if a representation or warranty is made as of a specified date, then such representation or warranty shall have been true and correct in all material respects as of such specified date.

(b) Agreements and Covenants. Seller shall have performed or complied with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) Officer's Certificate. Buyer shall have received a certificate signed by an officer of Seller to the effect set forth in Sections 7.1(a) and (b).

(d) Secretary's Certificate. Buyer shall have received a certificate of the Secretary or Assistant Secretary of Seller, certifying as to the resolutions of the board of directors of Seller approving the execution and delivery of this Agreement and the performance of the transactions contemplated hereby.

(e) Other Certificates. Buyer shall have received a good standing certificate or certificate of existence, as applicable, for each of Seller and the Company from the Secretary of State or other appropriate official of the state of each company's incorporation, dated as of a date not earlier than 10 days prior to the Closing Date.

(f) Consents and Approvals.

(i) All filings required to be made prior to the Closing by Seller or the Company with, and all consents, approvals and authorizations required to be obtained by Seller or the Company from, any Governmental Entities in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby (including, without limitation, the approval of the KPSC), shall have been made or obtained (as the case may be).

(ii) Seller or the Company shall have obtained the necessary consents to consummation of the transactions contemplated hereby of the Persons set forth in Schedule 3.3, except where the failure to obtain any such consent could not reasonably be expected to have a material adverse effect on the Water System.

(g) No Order. No litigation or other proceeding by or before any Governmental Entity shall have been instituted (and not have been dismissed or withdrawn), and no Governmental Entity, including any federal or state court of competent jurisdiction, shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, judgment, decree, injunction or other order (whether temporary, preliminary or permanent), which, in either case, is in effect and which has the effect of making the transactions contemplated by this Agreement illegal, or otherwise prohibits consummation of the transactions contemplated hereby (collectively, an "Order").

(h) Resignations. Each officer and director of the Company shall have executed and delivered a written resignation from such position, effective on the Closing Date.

7.2 Conditions to Obligations of Seller. The obligations of Seller to consummate the transactions contemplated hereby are subject to the satisfaction at or prior to the Closing Date of the following conditions, any or all of which may be waived, in whole or in part, to the extent permitted by applicable law, in a written instrument executed and delivered by Seller:

(a) Representations and Warranties. Each of the representations and warranties of Buyer contained in this Agreement shall have been true and correct in all material respects on and as of the Closing Date, as though made on and as of the Closing Date, except that if a representation or warranty is made as of a specified date, then such representation or warranty shall have been true and correct in all material respects as of such specified date.

(b) Agreements and Covenants. Buyer shall have performed or complied with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) Officer's Certificate. Seller shall have received a certificate signed by an officer of Buyer to the effect set forth in Sections 7.2(a) and (b).

(d) Secretary's Certificate. Seller shall have received a certificate of the Secretary or Assistant Secretary of Buyer, certifying as to the resolutions of the board of directors of Buyer approving the execution and delivery of this Agreement and the performance of the transactions contemplated hereby.

(e) Other Certificates. Seller shall have received a certificate of existence for Buyer from the Secretary of State or other appropriate official of the Commonwealth of Kentucky, dated as of a date not earlier than 10 days prior to the Closing Date.

(f) Consents and Approvals. All filings required to be made prior to the Closing by Buyer with, and all consents, approvals and authorizations required to be obtained by Buyer from, any Governmental Entities in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby (including without limitation the approval of the KPSC) shall have been made or obtained (as the case may be).

(g) No Order. There shall be no Order.

## ARTICLE VIII

### TERMINATION

8.1 General. This Agreement may be terminated (a) by mutual written consent of the parties or (b) as provided in Sections 8.2 and 8.3.

8.2 Termination by Buyer. Buyer may terminate this Agreement upon the occurrence of any of the following:

(a) The failure of Seller to satisfy, in any material respect, prior to the date which is nine months after the date of this Agreement, its conditions precedent to closing set forth in Section 7.1, or failure of the conditions described in Section 7.1 (except to the extent such failure is caused by Buyer);

(b) Any material breach of this Agreement by Seller, including, but not limited to, a material breach of any representation or warranty, if Seller has not cured such breach within 10 days after notice from Buyer; provided, however, such breach must in any event be cured prior to the Closing Date unless the date for cure has been extended by Buyer; or

(c) Any other basis for termination on behalf of Buyer otherwise set forth in this Agreement.

8.3 Termination by Seller. Seller may terminate this Agreement upon the occurrence of any of the following:

(a) The failure of Buyer to satisfy, in any material respect, prior to the date which is nine months after the date of this Agreement, its conditions precedent to closing set forth in Section 7.2, or failure of the conditions described in Section 7.2 (except to the extent such failure is caused by Seller);

(b) Any material breach of this Agreement by Buyer, including, but not limited to, a material breach of any representation or warranty, if Buyer has not cured such breach within 10 days after notice from Seller; provided, however, such breach must in any event be cured prior to the Closing Date unless the date for cure has been extended by Seller; or

(c) Any other basis for termination on behalf of Seller otherwise set forth in this Agreement.

8.4 Notice of Termination. Following the occurrence of any of the bases for termination of this Agreement, the party seeking to terminate this Agreement shall provide written notice of its termination of this Agreement to the other by delivering the same as provided herein.

8.5 Effect of Termination. Upon the termination of this Agreement, the following shall occur:

(a) Each party shall return all documents delivered to it pursuant to this Agreement, including copies, in its possession, or in the possession of its agents and consultants to the other, as the case may be. The return of such information shall be certified in writing by the returning party. Each party, its agents and consultants, shall treat any information previously received as confidential, and shall not disclose or use such information.

(b) Except as otherwise set forth in this Agreement, each party shall be responsible for payment of its own attorney and other professional fees and other costs of any nature whatsoever incurred prior to the termination of this Agreement.

(c) In the event of termination of this Agreement, this Agreement shall forthwith become void and (except for the willful breach of this Agreement by any party hereto) there shall be no liability on the part of Buyer or Seller, or their respective officers or directors, other than as provided for herein.

8.6 Specific Performance. The parties recognize and agree that Buyer and Seller have relied on this Agreement and expended considered effort and resources related to the transactions contemplated hereby, that the rights and benefits conferred upon Buyer and Seller herein are

unique, and that damages may not be adequate to compensate a party hereto in the event the other party hereto improperly refuses to consummate the transactions contemplated hereby. The parties therefore agree that each party hereto shall be entitled, at its option and in lieu of terminating this Agreement pursuant to Section 8.2 or 8.3, to have this Agreement specifically enforced by a court of competent jurisdiction.

## ARTICLE IX

### MISCELLANEOUS AND GENERAL

9.1 Payment of Expenses. Whether or not the transactions contemplated by this Agreement are consummated, each party hereto shall pay its own expenses incident to preparing for, entering into and carrying out this Agreement and the transactions contemplated hereby.

9.2 Entire Agreement; Assignment; Etc. This Agreement (including the Schedules hereto) constitutes the entire agreement, and supersedes all other agreements, understandings, representations and warranties, both written and oral, among the parties with respect to the subject matter hereof, and shall not be assignable by operation of law or otherwise and is not intended to create any obligations to, or rights in respect of, any Persons other than the parties hereto; provided, however, that, at any time prior to the Closing Date, Buyer may assign all or any part of its rights and obligations hereunder to any wholly owned subsidiary of Buyer and, in the event of any such assignment, Buyer shall nevertheless remain fully responsible to Seller for all obligations of Buyer hereunder.

9.3 Captions. The Article, Section and paragraph captions herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof.

9.4 Severability. If any term or other provision of this Agreement, or any portion thereof, is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms and provisions of this Agreement, or remaining portion thereof, shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any such term or other provision, or any portion thereof, is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are consummated to the fullest extent possible.

9.5 Modification or Amendment. The parties hereto may modify or amend this Agreement at any time, only by a written instrument duly executed and delivered by each party hereto.



9.6 Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given on the date delivered, if delivered personally, on the fifth business day after being mailed by registered or certified mail (postage prepaid, return receipt requested), in each case, to the parties at the following addresses, or on the date sent and confirmed by electronic transmission to the telecopier number specified below, or on the date actually received if sent by recognized overnight courier (or at such other address or telecopier number for a party as shall be specified by notice given in accordance with this Section):

(a) If to Buyer, to:

Louisville Water Company  
550 South Third Street  
Louisville, KY 40202  
Attention: John Huber, President  
Telecopier No.: (502) 569-0815

with a copy to:

Baker & Daniels  
300 North Meridian Street  
Suite 2700  
Indianapolis, IN 46204  
Attention: H. Patrick Callahan, Esq.  
Telecopier No.: (317) 237-1000

(b) If to Seller, to:

AquaSource Utility, Inc.  
411 Seventh Avenue  
14<sup>th</sup> Floor  
Pittsburgh, PA 15219  
Attention: Jon E. Evans, Vice President and General Counsel  
Telecopier No.: (412) 393-3715

with a copy to:

Eckert Seamans Cherin & Mellott, LLC  
600 Grant Street, 44<sup>th</sup> Floor  
Pittsburgh, PA 15219  
Attention: Gregory A. Weingart, Esq.  
Telecopier No.: (412) 566-6099

No provision of this Agreement, including this Section, shall be deemed to constitute consent to the manner and address for service of process in connection with any legal proceeding (including such arising out of or in connection with this Agreement), which service shall be effected as required by applicable law.

9.7 Failure or Delay Not Waiver; Remedies Cumulative. No failure or delay on the part of any party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

9.8 Counterparts. This Agreement may be executed in the original or by telecopy in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

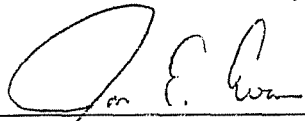
9.9 Governing Law. This Agreement shall be governed by and construed in accordance with the law of the Commonwealth of Kentucky, without regard to the conflicts of laws principles thereof.

9.10 No Third Party Beneficiaries. Notwithstanding anything to the contrary herein, there are no third party beneficiaries to this Agreement, and no Person, other than Buyer and Seller and their respective successors and permitted assigns, shall have any rights hereunder.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;  
SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by each of the parties hereto as of the date first written above.

AQUASOURCE UTILITY, INC.

By:   
Title: VICE PRESIDENT

LOUISVILLE WATER COMPANY

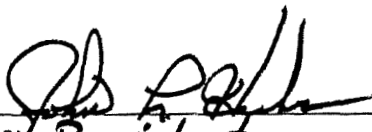
By: \_\_\_\_\_  
Title: \_\_\_\_\_

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by each of the parties hereto as of the date first written above.

AQUASOURCE UTILITY, INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

LOUISVILLE WATER COMPANY

By:  \_\_\_\_\_  
Title: President \_\_\_\_\_

**INDEX OF SCHEDULES  
TO  
STOCK PURCHASE AGREEMENT**

Schedule 3.3	-	Consents
Schedule 3.5	-	Litigation
Schedule 3.6	-	Compliance with Law
Schedule 3.7	-	Real Property and Easements
Schedule 3.10	-	Contracts
Schedule 3.11	-	Environmental Matters
Schedule 3.12	-	Permits
Schedule 3.13	-	Undisclosed Liabilities
Schedule 3.14	-	Certain Changes or Events
Schedule 3.15	-	Insurance
Schedule 3.17	-	Benefit Plans
Schedule 3.18	-	Labor Matters
Schedule 5.19	-	Excluded Assets

**SCHEDULES  
TO  
STOCK PURCHASE AGREEMENT  
BY AND BETWEEN  
LOUISVILLE WATER COMPANY  
AND  
AQUASOURCE UTILITY, INC.**

Capitalized terms used herein but not defined herein shall be given the meanings ascribed to them in the Agreement. The disclosure of any information shall not be deemed to establish a standard of materiality or ordinary course of business.

Consents

1. Kentucky Public Service Commission.
2. Kentucky Natural Resources and Environmental Protection Cabinet (Withdrawal Permit).
3. Federal Communications Commission (Radio License and Authorization).

Litigation

1. The Company is a defendant in Civil Action No. 97-CI-00582 pending in the Oldham Circuit Court in LaGrange, Kentucky. The action was brought by the Kentucky Natural Resources and Environmental Protection Cabinet (the "Cabinet"). The subject of the litigation is the Harmony Lake Dam which is owned by the Company. Rick Masters is a co-defendant in the action because his home (and only his home) is located downstream from the dam and could be affected by a catastrophic failure of the dam. Homeowners whose lots abut the lake have intervened to protect their interests in preserving the dam. According to the Cabinet, the location of the Masters' home requires that the dam be classified as a high hazard dam. The dam is an earthen dam which does not meet the minimum standards of a high hazard dam. The Cabinet's position is that:

- (i) The dam must be upgraded to meet the minimum standards of a high hazard dam; or
- (ii) The dam must be removed; or
- (iii) A new spillway must be constructed which would significantly reduce the level of the lake impounded by the dam.

To meet the minimum standards of a high hazard dam, the dam would require reconstruction at a substantial expense. Both Mr. Masters and the intervening homeowners object to a lower spillway and a removal of the dam. Mr. Masters claims that his home would be subject to regular flooding if the dam did not slow the run-off from heavy rains. The homeowners claim that their property values would decline if the lake is drained or significantly reduced in size. A mediation conference is scheduled in this matter on March 14, 2002.<sup>1</sup>

2. The Company has been involved in a "directional boring" dispute with Louisville Gas and Electric Company, which resulted in Case No. 99-042 before the KPSC. As a result of such Case, the Company was required to provide a map of certain underground sewer facilities in its service area. Various correspondence and other documents relating to this matter have been made available to Buyer.
3. The Company was a party to Administrative Case No. 385 ("Case 385"). Case 385 was commenced by the KPSC to investigate fire protection services pricing policies by the jurisdictional water authorities. To Seller's Knowledge, the Company has complied with the KPSC's requests, and Case 385 was closed as of December 7, 2001.

---

<sup>1</sup> The Oldham County Sanitation District assumed this matter pursuant to the Wastewater Asset Sale, which closed on February 15, 2002. See Section 5.13 of the Agreement.



Schedule 3.5 (cont.)

4. The Company was a party to Administrative Case No. 386 ("Case 386"). Case 386 was commenced by the KPSC. The KPSC issued an order dated February 13, 2001 requesting responses to various questions. To Seller's Knowledge, the Company has complied with the KPSC's requests.
5. See items 2-6 disclosed in Schedule 3.11.

## Schedule 3.6

### Compliance with Law

1. See all items disclosed in Schedule 3.5.
2. See all items disclosed in Schedule 3.11.

Real Property<sup>2</sup> and Easements

**Tract 1**  
**Well Site #2 and #3**

Beginning at a stake in the line of Harmony Landing Road which stake is S 35 deg. 14 min. East 449.4 feet from the pipe in the edge of the Ohio River, thence with the remaining lands of first parties N 6 deg. 13 min. East 191.72 feet to a stake, South 85 deg. 14 min. East 208.72 feet to a stake, South 6 deg. 13 min. East 208.72 feet to Harmony Landing Road, thence with said road North 35 deg. 14 min. West 208.72 feet to the beginning, containing approximately one acre.

**Tract 2**  
**Water Tank and Pump House**

Being a certain tract of land located at the northwest intersection of Old Harmony Landing Road and Rose Island Road in Oldham County, Kentucky, and being more particularly described as follows:

Beginning at a point in the centerline of Old Harmony Landing Road, as originally located but now a creek bed/ditch and abandoned, and in the northwest right-of-way line of Rose Island Road; thence with said original road centerline, South 70 degrees 31 minutes 00 seconds West 104.92 feet to a point; North 83 degrees 16 minutes 30 seconds West 188.91 feet to an iron pipe; and North 58 degrees 12 minutes 30 seconds West 11.76 feet to a point; thence with new division lines with the First Party, North 39 degrees 19 minutes 45 seconds East 150.37 feet to an iron pipe; and South 83 degrees 24 minutes 30 seconds East 241.73 feet to an iron pipe in the northwest right-of-way line of Rose Island Road, said pipe being South 23 degrees 10 minutes 24 seconds West 79.77 feet from an iron pipe in the southwest right-of-way line of a sixty-foot (60') private roadway; thence with the right-of-way line of Rose Island Road, South 23 degrees 10 minutes 24 seconds West 65.00 feet to an iron pipe; and South 31 degrees 04 minutes 34 seconds West 25.84 feet to the beginning, containing approximately 0.752 acres per survey dated December 23, 1981 by John A. Harrison, Registered Land Surveyor, and being subject to all roadways, easements and restrictions of record.

**Tract 3**  
**Adjacent Parcel**

BEING a certain parcel of land located at the southwest intersection of Rose Island Road and a sixty-foot (60') private roadway (Kentucky Highway 1694, if extended), in Oldham County, Kentucky, and being more particularly described as follows:

BEGINNING at an iron pipe in the west right-of-way line of Rose Island Road at the northeast corner of the land described in deed dated January 29, 1982, to Goshen Utilities, Inc. and

---

<sup>2</sup> Prior to Closing, Seller shall take such action as is necessary to correct the page number reference in the Deed dated January 23, 2002 made by Raymond Simpson, Trustee in favor of the Company.

Schedule 3.7 (cont.)

recorded in Deed Book 229, Page 326, in the Oldham County Court Clerk's Office; thence with the north and west lines of said Goshen Utilities, Inc., land, North 83 degrees 24 minutes 30 seconds West 241.73 feet to an iron pipe; and South 39 degrees 19 minutes 45 seconds West 150.37 feet to a point in the centerline of Old Harmony Landing Road, as originally located but now a creekbed/ditch and abandoned; thence with a new division line with the First Party, North 00 degrees 07 minutes 20 seconds West 245.90 feet to an iron pipe in the south right-of-way line of a sixty-foot (60') private roadway; thence with said line of the private roadway, North 88 degrees 24 minutes 40 seconds East 110.00 feet to an iron pipe at a point of curvature; thence with a curve to the right having a central angle of 28 degrees 57 minutes 24 seconds and a radius of 328.099 feet, the chord of which is South 77 degrees 06 minutes 38 seconds East 164.06 feet, to an iron pipe at a point of tangency; and South 62 degrees 37 minutes 56 seconds East 109.75 feet to an iron pipe in the west right-of-way line of Rose Island Road; thence with said line of Rose Island Road, South 23 degrees 10 minutes 24 seconds West 79.77 feet to the beginning, containing approximately 1.133 acre per survey dated November 10, 1987, by John A. Harrison, Professional Land Surveyor, and being subject to all roadways, easements and restrictions of record.

**Water Tower<sup>3</sup>**

The property interest is unknown. Seller is unable to locate any easement, right of way or similar conveyance in reference to this property. See that certain Contract dated as of March 31, 1977 by and among Harmony Water Company, Harmony Landing Country Club, Harmony Land Company, Threesome Construction Company, Huckleberry Hill, Inc., Patrick Calhoun, Jr. and Goshen Utilities, Inc.

**Vacant Lot<sup>4</sup>**

Being Lot No. 8 as shown on the Plat of Harmony Lake Subdivision, Block R, Section 1, recorded in Plat Book 1, page 33 in the Oldham County Court Clerk's Office.

---

<sup>3</sup> Seller makes no representations or warranties regarding this property and is under no obligation to remedy any future issues that may arise regarding any rights to this property.

<sup>4</sup> The Company has entered into an agreement to sell this property (the "Excluded Real Property"), which will be transferred out of the Company prior to the Closing Date.

Schedule 3.7 (cont.)

Additional Easements

<u>Grantor</u>	<u>Book/Page</u>	<u>Document</u>
Carl A. Schultz		Not yet drafted <sup>5</sup>
James F. and Brenda Stone	D610/288	Water Well Easement
James F. and Brenda Stone, and Nance Realty Company		Water Well Easement
Babrizon Farms, Inc	184/85	Easement
W. Armin and Mona-Tate R. Willig	236/367	Conveyance of Right of Way
W. Armin and Mona-Tate R. Willig	236/369	Conveyance of Right of Way
Anne Bottorff Fields	D519/175	Utility Right-of-Way and Easement
Caldwell and Hollis B. Willig	0453/073	Right-of-Way Easement
Walter K. Glasscock	0453/055	Right-of-Way Easement
Threesome Construction Co.	0453/058	Right-of-Way Easement
Harmony Village Subdivision	0453/060	Right-of-Way Easement
James Kingsbury and Donald Franklin	0453/061	Right-of-Way Easement
Jane W. Brown	0453/062	Right-of-Way Easement
Albert and Patricia Gregg	0453/063	Right-of-Way Easement
The Shady Glen Club	0453/064	Right-of-Way Easement
Matthew Hale	0453/065	Right-of-Way Easement
Donald Barker	0453/066	Right-of-Way Easement
Bernard and Beverly Huelsman	0453/067	Right-of-Way Easement
James Tyrrell	0453/068	Right-of-Way Easement
Raymond and Helen Bender	0453/069	Right-of-Way Easement
Marcus and Phyllis Kincheloe	0453/070	Right-of-Way Easement
Gary and Donna J. Carnes	0453/071	Right-of-Way Easement
First Kentucky Trust Company	0453/072	Right-of-Way Easement
Caldwell and Hollis B. Willig	0453/073	Right-of-Way Easement
Bill Musselman	0453/074	Right-of-Way Easement
Charles Buddeke, III	0453/075	Right-of-Way Easement
Harold R. and Judy R. Hall	0453/076	Right-of-Way Easement
Fred R. and Margie Lyles	0453/077	Right-of-Way Easement
Thomas O. Blunt	0453/078	Right-of-Way Easement
Donald and Lavania Smith	0453/079	Right-of-Way Easement
Stuart Lockard and Donna Scott	0453/080	Right-of-Way Easement
Dan Page	0453/081	Right-of-Way Easement
Douglas and Margie Mueller	0453/082	Right-of-Way Easement
Rodny and Mary Wolford	0453/083	Right-of-Way Easement
John R, Jr. and Elizabeth Kelly	0453/084	Right-of-Way Easement
Charles and Aileen D. Reading	0453/085	Right-of-Way Easement
William and Vicki Hundley Smith	0453/086	Right-of-Way Easement
William L. Bird	0453/087	Right-of-Way Easement

---

<sup>5</sup> Carl A. Schultz agreed to grant an easement in favor of the Company to be entered into as contemplated by Paragraph 7(b) of that certain Agreement for Sale of Land between the Company and Carl A. Schultz.

Schedule 3.7 (cont.)

<u>Grantor</u>	<u>Book/Page</u>	<u>Document</u>
Benjamin, Jr. and Jean Denzinger	0453/088	Right-of-Way Easement
Earl and Doris Klink	0453/089	Right-of-Way Easement
Shirley A. and Calvin C. Burwinkle	0453/090	Right-of-Way Easement
William and Hope Greer	0453/091	Right-of-Way Easement
Joseph and Rebecca Rafferty	0453/092	Right-of-Way Easement
Steve Dobbins	0453/093	Right-of-Way Easement
Dave and Virginia Fuller	0453/094	Right-of-Way Easement
Harold and Mildred Gray	0453/095	Right-of-Way Easement
Dudley and Marguerita Shanks	0453/096	Right-of-Way Easement
Arch L. and Patricia A. Heady	0453/097	Right-of-Way Easement
Mark and Beverly Lindsey Miller Campisano	0453/098	Right-of-Way Easement
Ray Conrad	0453/099	Right-of-Way Easement
Harlan R. Logsdon and Christina R. Logson Norris	0453/100	Right-of-Way Easement
Joseph and Marilyn Quinn	0453/102	Right-of-Way Easement
Joseph and Betty Schute	0453/103	Right-of-Way Easement
Bruce L. Dawson	0453/105	Right-of-Way Easement
Craig Shellhamer	0453/106	Right-of-Way Easement
Richard L. and Margaret K. Chamberlain	D520/122	Right-of-Way Easement
R. Alexander, Thomas S., Jane Lee and John A. Rankin	D526/428	Right-of-Way Easement
Caldwell and Hollis B. Willig	236/369	Conveyance of Right of Way
W. Armin and Jo Ann Willig	0402/413	Conveyance of Right of Way
Ann McDonald Croteau	412/280	Conveyance of Right of Way and Easement
J. Paul and Sarah B. Keith	412/277	Conveyance of Right of Way and Easement
Mrs. Albert Bottorf	425/327	Right-of-Way Easement
Carl A. Schultz, Jr., Peggy A. Schultz Arthur E. Pluckebaum, James F. Stone and Stone-Nance, Inc.	446/223	Right-of-Way Easement
Arthur R. and Anne S. Weakley	D520/123	Right-of-Way Easement
Anne Bottorf Fields	Unknown	Utility Right-of-Way and Easement
Joseph E. and Cornelia Nay	D520/121	Right-of-Way Easement
Belle R. Trigg	258/41	Conveyance of Right of Way
Harmony Landing Country Club	324/318	Deed of Easement
Luther W. and Mary Sue Pearce	324/322	Deed of Easement
T. Radford Hazelip	Unknown	Conveyance of Right of Way and Easement
Zubrod Stables, Inc.	0348/088	Conveyance of Right of Way and Subordination Agreement
Lawrence H. Hilliard	0348/091	Conveyance of Right of Way

Schedule 3.7 (cont.)

<u>Grantor</u>	<u>Book/Page</u>	<u>Document</u>
Harold H. Helm, II	0346/199	Right-of-Way Easement
American National Trust and Investment Management Company	0393/427	Right-of-Way Easement
Lurding Homes, Inc.	0393/430	Right-of-Way Easement
Harold R. and Anne Y. Helm	0346/201	Right-of-Way Easement
James A. Jr. and Bliss M. Brown	Unknown	Right-of-Way Easement
Warben, Inc.	312/356	Conveyance of Right of Way
Samuel L. and Jeanette B. Wittinghill	Unknown	Right-of-Way Easement
Clemer Dolan, Jr. and Dorthy Nix	Unknown	Right-of-Way Easement
W. F. and Maude L. Stone	184/220	Deed
J. Sam and Martha Ann Bumgardner as partially released by AquaSource Utility, Inc.	Unknown	Deed of Easement
*Matt Jones Construction Company, Inc.	Unknown	Partial Release of Easement
*William R. and Betty S. McAlister	157/259	Conveyance of Right of Way
*Cox and Williams Builders	157/253	Conveyance of Right of Way
*Vic Koestel Bld. Inc.	157/256	Conveyance of Right of Way
*Goshen Developers Inc.	Unknown	Conveyance of Right of Way
*Carroll B. and Jean E. Tingle	157/262	Conveyance of Right of Way
*Heritage Builders, Inc.	Unknown	Conveyance of Right of Way
*North Oldham Volunteer Fire Dept., Inc.	200/117	Conveyance of Right of Way
*Oldham County Board of Education, A Corporation	200/121	Conveyance of Right of Way
*Oldham County Board of Education, A Corporation	200/124	Conveyance of Right of Way
*Paul and Donna J. Steinbrecher	200/128	Conveyance of Right of Way Easement
*Goshen Baptist Church, Inc.	Unknown	Conveyance of Right of Way Agreement
*First National Bank, Trustee	192/187	Conveyance of Right of Way
*First National Bank, Trustee	176/304	Conveyance of Right of Way
*First National Bank, Trustee	176/302	Conveyance of Right of Way
*Wallace T., J. Hamilton and Thelma Cathryn Hood	176/306	Conveyance of Right of Way
*Russell Jr. and Juanita W. Badgett	Unknown	Conveyance of Right of Way Easement
*Mary Lucinda and Thomas P. Kearns	D520/126	Easement
*New Goshen Presbyterian Church	D520/124	Easement
*Joseph and Cornelia Hay, and John and Ruth Hampton	266/117	Easement
*James Harper Davis	256/312	Easement
*Carl R. and Marian E. Cox	302/186	Easement
*William T. and Alice D. Simpson	0332/021	Easement
*James F. and Brenda W. Stone	0332/017	Easement
	0347/034	Deed of Easement

Schedule 3.7 (cont.)

<u>Grantor</u>	<u>Book/Page</u>	<u>Document</u>
*Carl R. Cox and Wayne Williams	Unknown	Conveyance of Right of Way
*David A. and Betty A. Jones	D521/282	Right-of-Way Easement
*THM Farm, Inc.	Unknown	Right-of-Way Easement

\* Indicates easements/rights of way to both the Water System and Wastewater System. The portion of such easements/rights of way relating to the Wastewater System were transferred to the Oldham County Sanitation District pursuant to the Wastewater Asset Sale, which closed on February 15, 2002.

In the Fall of 1996, the Company was approached by Mark MacPhearson, a resident in its service area, who claimed the Company did not have an easement for the water line that ran across his property. The Company does not have a recorded easement for the water line, but maintains it is entitled to locate the water line across the subject property because it has both an implied easement and a quasi-easement. The Company sent Mr. MacPhearson a letter dated November 5, 1996 to this effect.

There are several locations in the Company's service area in which water and sewer lines were placed without the grant of a utility easement from the landowner. The Company does not have a specific list of any such locations.

The Company may have a variety of unrecorded easements, rights-of-way or similar rights regarding the Water System.



Contracts

1. PCS Site Agreement dated as of August 9, 1996 by and between the Company and Sprint Spectrum L.P., as amended.
2. Tower Attachment Lease Agreement dated as of August 19, 1998 by and between the Company and Powertel/Kentucky, Inc.
3. Tower Attachment Lease Agreement dated as of July \_\_, 2000 by and between the Company and Tritel Communications, Inc.
4. Agreement dated as of March 1, 1988 by and between the Company and Davis Electronics Co., Inc.
5. Contract dated as of March 31, 1977 by and among Harmony Water Company, Harmony Landing Country Club, Harmony Land Company, Threesome Construction Company, Huckleberry Hill, Inc., Patrick Calhoun, Jr. and the Company.
6. Extension Applications for the Covered Bridge Road Project:
  - A. Signed by applicant as of February 12, 2001 by and between the Company and Mike Gardner;
  - B. Signed by applicant as of February 18, 2001 by and between the Company and H. Curtis and Evelyn Craig;
  - C. Signed by applicant as of February 26, 2001 by and between the Company and M/M Charles W. Hebel, Jr. and Carroll Hebel;
  - D. Signed by applicant as of November 5, 2000 by and between the Company and Hewett Brown;
  - E. Signed by applicant as of February 24, 2001 by and between the Company and David and Marian Shimp;
  - F. Signed by applicant as of February 22, 2001 by and between the Company and Greg and Beth Steinbock;
  - G. Signed by applicant as of February 23, 2001 by and between the Company and Dr. Tom McMurray;
  - H. Signed by applicant as of March 13, 2001 by and between the Company and Douglas and \_\_\_\_\_ Parish;

Schedule 3.10 (cont.)

- I. Signed by applicant as of March 13, 2001 by and between the Company and Buford and Margaret Parrish;
  - J. Signed by applicant as of March 14, 2001 by and between the Company and Robert and \_\_\_\_\_ Parish; and
  - K. Signed by applicant as of March 14, 2001 by and between the Company and Gregory and \_\_\_\_\_ Mayes.
- 7. Letter dated as of February 24, 1993 by and between the Company and Herbert & Patricia English.
  - 8. Letter dated as of October 31, 1988 by and between the Company and Paramount, Ltd.
  - 9. Agreement dated as of August 28, 1996 by and between the Company and Anne Buttorff Fields.
  - 10. Stock Purchase Agreement dated as of May 18, 1999 by and among Seller, the Company and the Shareholders of the Company.
  - 11. Agreement for Purchase and Sale of Wastewater Assets dated as of November 14, 2001 by and between the Company and Oldham County Sanitation District.<sup>6</sup>
  - 12. Letter Agreement dated as of March 15, 1995 by and between the Company and H.& S. of Prospect, LLC.<sup>7</sup>
  - 13. The Company is obligated to pay the costs of a water main extension in the Belknap Beach-Riverside Drive Area.
  - 14. Oral Agreement whereby the Company has agreed to provide water service to a thirty-eight (38) lot development named Goshen Woods.
  - 15. Documents relating to Permitted Debt as contemplated by Section 5.12(b).
  - 16. See Easements disclosed in Schedule 3.7.

---

<sup>6</sup> See Section 5.13 of the Agreement.

<sup>7</sup> The portion of the Prospect Agreement that relates to the Wastewater System was assigned to the Oldham County Sanitation District pursuant to the Wastewater Asset Sale, which closed on February 15, 2002.

Environmental Matters

1. On October 21, 1997, the Company received a Notice of Violation from the Division of Water and was ordered to attend an Administrative Conference with the Enforcement Branch of the Division of Water. Pursuant to the Administrative Conference, the Company entered into an Agreed Order and paid a civil penalty of \$7,200.00.

On August 25, 1998, the Company was assessed a stipulated civil penalty in the amount of \$5,000.00 for noncompliance with the aforementioned Agreed Order in May and June, 1998. The Company paid the fine and has been in compliance with the Agreed Order since July, 1998.

2. In 1991, the Company was notified by the Natural Resources and Environmental Protection Cabinet ("NREPC") that its impoundment commonly known as Harmony Lake Dam contained several deficiencies which could undermine the stability of the lake and threaten life and property downstream. The NREPC issued an Order dated October 23, 1991, that required the Company to take such action as necessary to bring Harmony Lake Dam into compliance with current engineering dam safety standards.

The Company was issued a permit to perform certain remedial measures that would bring the dam into compliance with current standards, but never implemented the permit.

On December 19, 1997, the NREPC filed suit against the Company seeking an order from the Court that requires the Company to take appropriate remedial measures with respect to Harmony Lake Dam. A counterclaim was filed against the NREPC by the Company's co-defendant, and the NREPC subsequently filed a cross-claim against the Company for contribution for any and all damages which the NREPC is order to pay to the counter-claimants. Seepage from the Harmony Lake Dam continues to occur.

3. On August 23, 1984, the Company received a Notice of Violation for Harmony Lake Dam because the structure did not meet minimum criteria for a high hazard dam.
4. Real property located near the Company's headquarters and supply wells was subject to an investigation by the Environmental Protection Agency approximately ten (10) years ago. The property was operated by Arelco Plastics.
5. Concrete asbestos pipe (AC pipe) is used in some sections of the Company's service area.
6. Certain Water System and Wastewater System piping of the Company are exposed above ground level.
7. See item 1 disclosed in Section 3.5.

Permits

1. Rates, Rules and Regulations for Furnishing Residential Industrial and Commercial Water Services at Subdivisions near the Community of Goshen, North-West Oldham County, Kentucky and Environs filed with the KPSC by the Company effective November 15, 1999.
2. Water Shortage Response Plan filed with the KPSC by the Company effective July 27, 1996.
3. Permit to Withdraw Public Water No. #0707 issued by The Commonwealth of Kentucky Natural Resources and Environmental Protection Cabinet, issued on August 6, 1973.
4. Oldham County Encroachment Permit issued by Oldham County on April 22, 1994 for Loche Lane.
5. Oldham County Encroachment Permit issued by Oldham County on October 12, 1994 for Paramount Way, Lot 115.
6. Order of the KPSC, Case No. 96-080, authorizing the Company to provide its employees free water and sewer service issued June 24, 1996.
7. Order of the KPSC, Case No. 96-140, approving the settlement agreement issued on July 19, 1996.
8. Radio Station License, File No. 951R30227, issued to the Company by the Federal Communications Commission, assigned to AquaSource Services & Technologies, Inc. on March 23, 2000.<sup>8</sup>
9. Radio Station Authorization, File No. 0000137406, issued to Seller by the Federal Communications Commission.<sup>9</sup>
10. Order of the KPSC, Case No. 99-303, authorizing Seller to transfer all outstanding stock in the Company issued on November 5, 1999.
11. Order of the KPSC, Case No. 2001-403, approving the Wastewater Asset Sale issued on January 14, 2002.

---

<sup>8</sup> Seller will cause AquaSource Services, LP (successor in interest to AquaSource Services & Technologies, Inc.) to transfer this License to the Company at or prior to the Closing.

<sup>9</sup> Seller will transfer this Authorization to the Company at or prior to the Closing.

Undisclosed Liabilities

1. Permitted Debt as contemplated by Section 5.12(b).
2. The Company has a contingent liability to pay the costs of a water main extension for customers in the Belknap Beach-Riverside Drive area, which is not disclosed in its financial statements.
3. The Company has a contingent liability to pay \$25,000 to Paramount, Ltd. for Paramount, Ltd.'s costs of installation of a water main line for customers in Paramount Estates, which is not disclosed in its financial statements.

Certain Changes or Events

None.

Schedule 3.15Insurance<sup>10</sup>

	<u>Coverage</u>	<u>Carrier</u>	<u>Policy No.</u>
1.	Workers Compensation	AIG	WC7206933 (AOS) WC7206934(CA)
2.	Auto Liability	AIG	CA5488484(AOS) CA54888485(TX) CA5488486(VA & MA) CA5488489(HI)
3.	General Liability	AIG	GL5442397 GL5442403(OCP)
4.	Pollution	AIG	PLL1951215
5.	Pollution	AIG	CPL1951216
6.	All Risk Property	FM Global	NB351

---

<sup>10</sup> All insurance is owned by and in the name of Seller, and will remain the property of the Seller after the Closing.

Benefit Plans

1. DQE Employee Assistance Program Benefit Plan
2. DQE Optional Term Life Insurance Plan
3. DQE 401(k) Retirement Savings Plan
4. Retirement Plan for Employees of Duquesne Light Company<sup>11</sup>
5. Supplemental Retirement Plan for Nonrepresented Employees of Duquesne Light Company<sup>11</sup>
6. DQE Basic Life Insurance Plan
7. DQE Voluntary Accidental Death & Dismemberment Insurance Plan
8. DQE Long-Term Disability Benefit Plan
9. DQE Short-Term Disability Benefit Plan
10. DQE Medical Benefits Plan
11. DQE Dental Benefits Plan
12. DQE Flexible Spending Accounts Plan
13. DQE Business Travel insurance Plan
14. AquaSource, Inc. 2001 Annual Incentive Compensation Program for Hourly Employees<sup>12</sup>
15. AquaSource, Inc. Severance Program

---

<sup>11</sup> Participation in these plans has been frozen since January 1, 2000.

<sup>12</sup> The 2002 Annual Incentive Compensation Programs are currently being finalized.



Schedule 3.18

Labor Matters

Employees and Compensation

	<u>Name</u>	<u>Compensation</u>
1.	Robert E. Huffman	\$42,036.80
2.	James W. Stone	\$31,054.40
3.	William E. Goins	\$25,854.40
4.	Adam R. Purvis	\$18,844.80

Employment Contracts or Agreement

None.

Excluded Assets

1. All rights in and to the name AquaSource or any derivative thereof as may be currently used by the Company
2. Air Compressor
3. Generator
4. Scotsman office trailers and all contents thereof
5. All motor vehicles used in the Company's operations
6. The Excluded Real Property

## FIRST AMENDMENT TO STOCK PURCHASE AGREEMENT

THIS FIRST AMENDMENT TO STOCK PURCHASE AGREEMENT (this "Amendment") is made and entered into as of July 31, 2002, by and between AQUASOURCE UTILITY, INC., a Texas corporation ("Seller"), and LOUISVILLE WATER COMPANY, a municipally owned corporation governed by the Board of Water Works pursuant to KRS96.230 through 96.310 ("Buyer").

### Recitals:

A. Seller and Buyer are parties to that certain Stock Purchase Agreement dated as of March 11, 2002 (the "Purchase Agreement"); and

B. Seller and Buyer desire to amend certain Schedules to, and certain provisions of, the Purchase Agreement.

### Agreement:

In consideration of the mutual promises and covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Seller and Buyer agree as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Purchase Agreement.

2. Waiver of Closing Time Requirement. Section 2.2 of the Purchase Agreement provides that the Closing shall take place within 20 days after the last of the conditions in Sections 7.1(f)(i) and 7.2(f) shall have been satisfied or waived in accordance with the Purchase Agreement. The last condition, approval by the KPSC, was granted on June 13, 2002. Notwithstanding anything to the contrary in the Purchase Agreement, Seller and Buyer desire to consummate the transactions contemplated by the Purchase Agreement on July 31, 2002, and hereby waive the 20-day time requirement set forth in Section 2.2 of the Purchase Agreement with respect to the Closing.

3. Amendment of Schedules. Seller and Buyer hereby agree to amend:

(i) Schedule 3.3 of the Purchase Agreement as follows:

1. Item No. 2 shall be deleted in its entirety.
2. Item No. 3 shall be renumbered to reflect the deletion of item No. 2.

(ii) Schedule 3.7 of the Purchase Agreement as follows:

1. Under Additional Easements, the first easement listed, Carl A. Schultz and the accompanying Footnote No. 5 shall be deleted in their entirety.

2. The following language shall be added under its appropriate column:

<u>Grantor</u>	<u>Book/Page</u>	<u>Document</u>
"Carl A. Schultz, Jr. and Peggy A. Schultz"	D716/215	Utility Easement

(iii) Schedule 3.10 of the Purchase Agreement by adding the following:

- "17. The Company is obligated to provide water service to the Harmony Landing residential subdivision as reflected in that certain letter dated June 24, 2002 from the Company.
18. Option and Lease Agreement dated as of October 6, 1999 by and between the Company and BellSouth Mobility, Inc.
19. Oral Agreement by and between the Company and Oldham County Dispatch whereby the Company leases space on a water tower to Oldham County Dispatch.

Default

1. With respect to item No. 18 above, BellSouth Mobility, Inc., d/b/a Cingular ("**Cingular**") has failed to pay its rent due under its lease since approximately July 2001. On July 30, 2002, the Company received a check from Cingular for \$13,000 for total payment of amounts due as of July 30, 2002.
2. With respect to item No. 18 above, Cingular, pursuant to its lease, has informed the Company of its intention to add additional antennae to the existing water tower structure that currently houses Cingular's antennae. Cingular has the right under its lease to have up to 12 antennae mounted on the water tower. While having repairs done on the water tower (pursuant to Section 5.14 of the Purchase Agreement), the Company was informed by CT Services, Inc. ("**CT**"), in a letter dated May 30, 2002 from CT, that the existing roof system of the water tower does not fulfill the design criteria to support the roof dead load, design snow load, and

the existing antennae and cables dead and live loads in accordance with the requirements of AWWA D100-96, and that a failure of the water tower roof could propagate a collapse of the deformed shell. The Company has informed Cingular of the alleged inability of the water tower to support additional weight. The Company has given Cingular, at Cingular's sole cost, the permission to have its own study conducted on the water tower."

(iv) Schedule 3.14 of the Purchase Agreement by:

1. Deleting the word "None."
2. Adding the following:  
"1. See Schedule 3.10, Default, Nos. 1 and 2."

As amended, such Schedules shall be deemed, for all purposes, to be part of the final Schedules to the Purchase Agreement.

4. FCC License and Authorization. Pursuant to Schedule 3.12 of the Purchase Agreement, Seller agreed to (i) cause AquaSource Services, LP to transfer the Radio Station License, File No. 951R30227, issued by the FCC, to the Company at or prior to the Closing; and (ii) transfer Radio Station Authorization, File No. 0000137406, issued by the FCC, to the Company at or prior to the Closing. The FCC must approve both the transfer of the license and authorization (collectively, the "Licenses") to the Company and the change of control of the Company from ownership by Seller to ownership by Buyer. Since the FCC has approved such transfers of the Licenses, but not the change of control as of the date hereof, the Company has, or soon will, applied for a Special Temporary Authority that will allow the Company to continue to operate under the Licenses until the FCC approves the change of control of the Company.

After the Closing, Seller agrees to use commercially reasonable efforts to obtain the FCC's approval of the change of control of the Company, which shall be undertaken at Seller's sole cost and expense. Seller further agrees to indemnify and hold harmless the Company and Buyer Indemnified Parties from and against any Claim arising out of or resulting from Seller's failure to obtain the FCC's approval pursuant to the previous sentence. Seller's indemnification pursuant to this Section 4 shall not be subject to any of the limitations set forth in Section 6.3 of the Purchase Agreement.

5. Notice of Violation. The Company received a notice of violation dated July 12, 2002 from the Commonwealth of Kentucky Natural Resources and Environmental Protection Cabinet Division of Water Drinking Water Branch (the "Notice") for failure to submit required lead and copper samples. After the Closing, Buyer shall cause the Company to use commercially reasonable efforts to complete the remedial steps required by the Notice; provided, that Buyer shall keep Seller apprised of the costs incurred and actions taken to complete such remedial steps. Seller agrees to indemnify and hold harmless the Company and Buyer Indemnified Parties from and against any Claim arising out of or resulting from the failure to

submit required lead and copper samples as outlined in the Notice, including, without limitation necessary monitoring and testing expenses incurred by the Company or Buyer Indemnified Parties pursuant to the Notice. Seller's indemnification pursuant to this Section 5 shall not be subject to any of the limitations set forth in Section 6.3 of the Purchase Agreement.

6. Good Standing. Buyer hereby acknowledges that the Company was informed subsequent to the date of the Purchase Agreement that it was not in good standing with the Commonwealth of Kentucky for failure to file its annual report. Seller represents and warrants the Company has filed its annual report and has been returned to good standing.

7. Amendment of Section 6.5 of the Purchase Agreement. Seller and Buyer hereby agree to amend Section 6.5 of the Purchase Agreement by deleting the language currently in Section 6.5 in its entirety and replacing it with the following

"Except as otherwise expressly provided in this Agreement (including without limitation Sections 4 and 5 of the First Amendment to Stock Purchase Agreement dated as of July 31, 2002, by and between Seller and Buyer), this Article VI shall constitute the sole remedies available to Buyer and Seller for breaches or alleged breaches of this Agreement."

8. No Other Amendment. All other provisions of the Purchase Agreement not specifically referenced in this Amendment shall remain in full force and effect.

9. Entire Agreement. The Purchase Agreement, as amended by this Amendment, constitutes the entire agreement between the parties with respect to the subject matter thereof and together supersede all prior agreements and understandings, whether oral or written, among the parties with respect to the subject matter thereof.

10. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky, without giving effect to its conflicts of law principals.

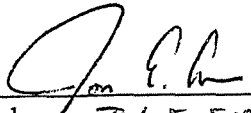
11. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall, when executed, be deemed to be an original and all of which shall be deemed to be one and the same instrument. The parties agree that facsimile signatures shall have the same force and effect as original signatures.

*[Signatures appear on next page]*

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment as of the date first above written.

SELLER:

AQUASOURCE UTILITY, INC.

By:   
Printed: JOEL E. EVANS  
Its: VICE PRESIDENT

BUYER:

LOUISVILLE WATER COMPANY

By: \_\_\_\_\_  
Printed: \_\_\_\_\_  
Its: \_\_\_\_\_

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment as of the date first above written.

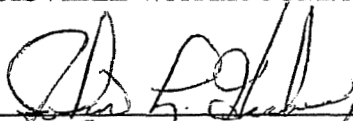
SELLER:

AQUASOURCE UTILITY, INC.

By: \_\_\_\_\_  
Printed: \_\_\_\_\_  
Its: \_\_\_\_\_

BUYER:

LOUISVILLE WATER COMPANY

By:  \_\_\_\_\_  
Printed: ~~John L. Huber~~ John L. Huber  
Its: President



NUMBER  
10

SHARES  
1,000 -

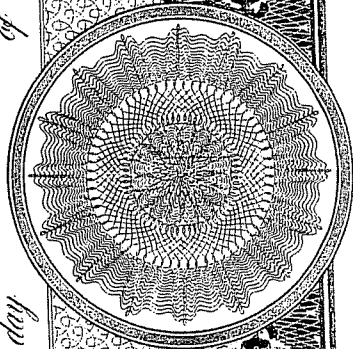


Kentucky

# GOSHEN UTILITIES, INC.

Common Stock, No par value

This Certifies that **AquaSource Utility, Inc.** is the owner  
of **One Thousand (1,000)** fully paid and nonassessable Shares of  
the Common Stock of the Corporation transferable only on the books of the Corporation by the holder  
hereof in person or by Attorney upon surrender of this Certificate properly endorsed or assigned.  
A statement of any restrictions on the transfer of this Stock and of all applicable designations,  
preferences, qualifications, limitations, restrictions, classes, series, and other special or relative rights if any,  
shall be furnished in full to the Shareholder upon written request and without charge.  
IN WITNESS WHEREOF, the said Corporation has caused this Certificate to be  
signed by its duly authorized officers and its Corporate Seal to be hereunto affixed of  
this 2nd day of July A.D. 2002



*Walter J. Jarek*  
SECRETARY

*Walter J. Jarek*  
PRESIDENT

## IRREVOCABLE STOCK POWER

FOR VALUE RECEIVED, the undersigned, AQUASOURCE UTILITY, INC., a Texas corporation, does hereby sell, assign and transfer unto Louisville Water Company, a municipally owned corporation governed by the Board of Water Works pursuant to KRS 96.230 through 96.310, One Thousand (1,000) shares of the Common Stock, without par value, of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), standing in the name of the undersigned on the books of the Company and represented by certificate number 10, and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer said stock on the books of the Company with full power of substitution in the premises.

Date: July 31, 2002

AQUASOURCE UTILITY, INC.

By: 

Title: PRESIDENT

## ASSIGNMENT

THIS ASSIGNMENT is made as of July 30, 2002 by and between GOSHEN UTILITIES, INC., a Kentucky corporation ("Assignor"), and AQUASOURCE UTILITY, INC., a Texas corporation ("Assignee").

### Recitals:

A. Assignor is a party to that certain Agreement for Purchase and Sale of Wastewater Assets dated as of November 14, 2001 by and between Assignor and Oldham County Sanitation District, as amended on February 15, 2002 (the "Agreement").

B. Assignor desires to assign its rights and delegate its obligations under the Agreement to Assignee and Assignee desires to assume such rights and obligations thereunder.

### Agreement:

In consideration of the foregoing, the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. Assignment. Assignor hereby transfers, conveys, assigns and sets over to Assignee all of Assignor's right, title and interest in, to and under the Agreement.

2. Acceptance and Assumption. Assignee expressly accepts the assignment to it of Assignor's right, title and interest in, to and under the Agreement and assumes and agrees to be bound by the Agreement and to keep, perform and fulfill each and all of the covenants, agreements, terms, provisions, conditions and obligations required to be kept, performed and fulfilled by Assignor under the Agreement.

3. Further Assurances. Promptly upon request from time to time of the other party, each party shall do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged or delivered, to or at the direction of such party, all further acts, transfers, assignments, powers and other documents and instruments as may be reasonably requested to give effect to the transactions contemplated hereby.

4. Successors and Assigns. This Assignment shall bind the parties and their respective successors and assigns.

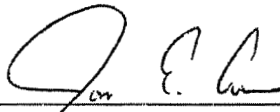
5. Counterparts. This Assignment may be executed in any number of counterparts, each of which when executed and delivered shall be deemed an original, but all of which together shall constitute one and the same instrument.

*[Signatures appear on next page]*

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date and year first set forth above.

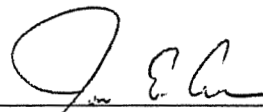
ASSIGNOR:

GOSHEN UTILITIES, INC.

By:   
Printed: Jon E. EVANS  
Its: VICE PRESIDENT

ASSIGNEE:

AQUASOURCE UTILITY, INC.

By:   
Printed: Jon E. EVANS  
Its: VICE PRESIDENT

ok

**GOSHEN UTILITIES, INC.**

---

6200 E Hwy 62, Suite 800  
Jeffersonville, IN 47130

July 24, 2002

Richard Chadwell  
President  
Oldham County Sanitation District  
7311 Highway 329  
Suite 542  
Crestwood, KY 40014

Re: Termination of Oldham County Sanitation District Customer Billing Agreement  
With Goshen Utilities, Inc.

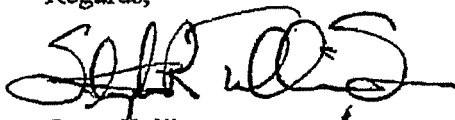
Dear Mr. Chadwell:

Oldham County Sanitation District ("Oldham") has an oral agreement with Goshen Utilities, Inc. ("Goshen"), pursuant to which Goshen provides billing services for the wastewater customers of Oldham ( the "Agreement").

This letter serves as notice that the Agreement is hereby terminated effective July 31, 2002.

Please feel free to contact me with any questions or comments (812.285.6977).

Regards,



Steve Tolliver  
Vice President Operations  
Goshen Utilities, Inc.

### General Information

Fee Control Number:		
Status: Consented To	PFR Status:	
Change Type: Minor	Overall Change Type: Minor	
Purpose: Amendment	Original Purpose: Assignment of Authorization	
Auction ID:	Mode: Interactive	
Date Entered: 07/26/02	Receipt Date: 07/26/02	Action Date: 07/29/02
VEC/Coordinator/COLEM Code:		
Source:		

JUL-30 02 (TUE) 10:20 WILEY, REIN&FIELDING  
Application Search

202 719 0123 P. 003  
<http://wtbwww05.fcc.gov:80/default.sph/>.FNC=action\_list\_\_Aspp\_log\_\_frameset.htm

Application Consented  
Amendment Received  
Payment Confirmed  
Assignment of Authorization Received

07/29/02  
07/26/02  
07/13/02  
07/10/02

JUL-30' 02 (TUE) 10:21 WILEY, REIN&FIELDING

202 719 0123

P. 004

Application Search

wysiwyg://app\_slist.370/http://wtbwww05...=go\_app\_slist\_\_Aapp\_slist\_frameset.htm



0000957411

Goshen Utilities, Inc.

AA

I

AL

07/10/02

0000957411

Goshen Utilities, Inc.

AM

C

AL

07/26/02



New

# Water Companies - Class C

ANNUAL REPORT

OF

GOSHEN UTILITIES, INC.

Exact Legal Name of Reporting Utility

200 CORPORATE CENTER DR #300

CORAOPOULIS, PA 15108

(Address of Utility)

TO THE

PUBLIC SERVICE COMMISSION

OF THE

COMMONWEALTH OF KENTUCKY

FOR THE CALENDAR YEAR ENDED DECEMBER 31, 20 01

PUBLIC SERVICE COMMISSION OF KENTUCKY  
PRINCIPAL PAYMENT AND INTEREST INFORMATION  
FOR THE YEAR ENDING DECEMBER 31, 20 01

1. Amount of Principal Payment during calendar year \$ - 0 -
2. Is Principal current? (Yes) X (No) \_\_\_\_\_
3. Is Interest current? (Yes) X (No) \_\_\_\_\_

SERVICES PERFORMED BY  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are your financial statements examined by a Certified Public Accountant?

YES \_\_\_\_\_ NO X \_\_\_\_\_

If yes, which service is performed?

Audit \_\_\_\_\_

Compilation \_\_\_\_\_

Review \_\_\_\_\_

Please enclose a copy of the accountant's report with annual report.

## MAJOR WATER PROJECTS

**Instructions:** Provide details about each major water project which is planned but has not yet been submitted for approval to the Public Service Commission. For the limited purpose of this report, a "Major Project" is defined as one which is not in the ordinary course of business, and which will increase your current utility plant by at least 20%.

**Brief Project Description** (improvement, replacement, building construction, expansion. If expansion, provide the estimated number of new customers):

N/A

**Projected Costs and Funding Sources/Amounts:**

**Approval Status:** (Application for financial assistance filed, but not approved; or application approved, but have not advertised for construction bids)

**Location:** (community, area or nearby roads)

CHECKLIST FOR THE ANNUAL REPORT  
FOR C WATER COMPANIES  
TO BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT

Page 1 of 2

Page No.	Account No.		Page No.		Yes	No	If No, Explain Why
4-6	The identification pages have been completed.				✓		
7	101-105	agrees with	11	Total 101-105		✓	DIFF OF 1,658,898 IS SEWER
7	108	agrees with	11	Beginning and Ending Balance 108		✓	DIFF OF 879,892 BEGINNING & 924,571 ENDING IS SEWER
7	108	agrees with	12	Total 301 - 348 Cols c & h		✓	DIFF OF 1924,571 IS SEWER
7	114-115	agrees with	13	Net Balance 114-115	✓		
7	124	agrees with	13	Total 124	✓		
7	141-143	agrees with	14	Net Balance 141-143	✓		
7	151	agrees with	14	Total 151	✓		
7	186	agrees with	15	Total 186	✓		
7	190	agrees with	15	Total 190	✓		
8	201	agrees with	16	Total Par Value of Stk Issued Col b	✓		
8	204	agrees with	16	Total Par Value of Stk Issued Col c	✓		
8	215	agrees with	18	Total 215	✓		
8	224	agrees with	16 & 17	Total 224 Col d Page 16 + Total 224 Col 4 Page 17	✓		
8	232	agrees with	18	Total 232 Col f	✓		
8	236	agrees with	19	Beginning & Ending Balance 236	✓		
8	237	agrees with	20	Total 237 Cols b & e	✓		
8	242	agrees with	20	Total 242	✓		

CHECKLIST FOR THE ANNUAL REPORT  
FOR C WATER COMPANIES  
TO BE COMPLETED AND RETURNED WITH THE ANNUAL REPORT

Page 2 of 2

Page No.	Account No.		Page No.		Yes	No	If No, Explain Why
9	271	agrees with	21	Beginning & Ending Balance 271	✓		
10	400	agrees with	24	Total Water Operating Rev Col e	✓		
10	401	agrees with	25	Total 601-675 Col c	✓		
10	406	agrees with	13	Total Accumulated Amortization 115	✓		
10	427	agrees with	20	Total 237 Col c	✓		
10	Net Income	agrees with	18	Balance Trans. From Inc Col c	✓		
12	The analysis of accumulated depreciation and amortization by primary account has been completed.				✓		
16	Schedule of Long-Term Debt has been completed.				✓		
17	Schedule of Bond Maturities has been completed.				✓		
18	If the Long-Term Debt consists of Notes Payable rather than Bonds, then the Notes Payable schedule has been substituted for the Schedule of Bond Maturities.				✓		
17	Total Col 12	agrees with	17	Total Col 4	✓		
23	The analysis of water utility plant accounts Cols c through f has been completed.				✓		
24	Taxes collected (example: school tax, sales tax, franchise tax) have been excluded from Operating Revenue.				✓		
24	The analysis of water operating revenue Cols c through e has been completed.				✓		
26-30	Schedule of Pumping & Purchased Water Statistics has been completed.				✓		
27	Total 466 Gal	agrees with	28	Total 466	✓		
17	Line 13	agrees with	27	Line 4 Total Produced & Purchased	✓		

# TABLE OF CONTENTS

FINANCIAL SECTION	Page	WATER OPERATING SECTION	Page
Identification	4-6	Water Utility Plant Accounts	24
Comparative Balance Sheet - Assets and Other Debits	7	Water Operating Revenue	25
Comparative Balance Sheet - Equity Capital and Liabilities	8-9	Water Utility Expense Accounts	26
Comparative Operating Statement	10	Pumping & Purchased Water Statistics	27
Net Utility Plant	11		
Accumulated Depreciation	11		
Analysis of Accumulated Depreciation by Primary Account	12		
Utility Plant Acquisition Adjustments	13		
Investments and Special Funds	13		
Accounts and Notes Receivable - Net	14		
Materials and Supplies	14		
Miscellaneous Deferred Debits	14		
Accumulated Deferred Income Taxes	15		
Advances for Construction	15		
Capital Stock	16		
Long Term Debt	16		
Bonds and Maturities	17		
Statement of Retained Earnings	18		
Notes Payable	18		
Taxes Accrued	19		
Accrued Interest	20		
Misc. Current & Accrued Liabilities	20		
Regulatory Commission Expense - Amortization of Rate Case Expense	21		
Contributions in Aid of Construction	21		
Additions to CIAC Received from Capacity Charges, Main Extension Charges and Customer Connection Charges	22		
Additions to CIAC Received from All Developers or Contractors Agreements	22		
Reconciliation of Reported Net Income with Taxable Income For Federal Income Taxes (Utility Operations)	23		

## HISTORY

1. Exact name of utility making this report. (Use the words "The," "Company" or "Incorporated" only when a part of the corporate name.)

GOSHEN UTILITIES, INC.

2. Give the location including city, street and number, of the executive office.

200 CORPORATE CENTER DRIVE

SUITE 300

CORAOPOLIS, PA 15108

3. Give the location, including street and number, and telephone number of the principal office in Kentucky. (812) 285-6970

6200 E Hwy 62 Ste 800

Jeffersonville, IA 47130

4. Name and address of principal officer within Kentucky.

STEVE TOLLIVER

1001 RIVERSIDE DRIVE GOSHEN, KY 40026

5. Give name, title, address and telephone number of the officer to whom correspondence concerning this report should be addressed.

FRANK HOFFMANN PRESIDENT (412) 393-3610

200 CORPORATE CENTER DR SUITE 300 CORAOPOLIS, PA 15108

6. Date of organization. 12-3-81

7. Under the laws of what Government, State or Territory organized? (If more than one, name all. Give reference to each statute and amendments thereof.)

KENTUCKY

8. If a consolidated or merger company, name all contingent and all merged companies. Give reference to charters or general laws governing each, and all amendments of same. NONE
9. Date and authority for each consolidation and each merger. NONE
10. State whether respondent is a corporation, a joint stock association, a firm or partnership, or an individual. CORPORATION
11. If a reorganized company, give name of original corporation, refer to laws under which it was organized and the occasion for the reorganization.  
GOSHEN UTILITIES, INC. WAS ORGANIZED ON DECEMBER 3, 1981 AS A WHOLLY-OWNED SUBSIDIARY OF STONE-NANCE, INC. GOSHEN UTILITIES WAS SPUN-OFF TO SHAREHOLDERS OF STONE-NANCE DURING 1988. COMPANY WAS BOUGHT BY AQUASOURCE INC. 12-2-99
12. Name all other operating departments. NONE
13. Name of counties in which you furnish water service. MOHAM COUNTY



REPORT OF  
GOSHEN UTILITIES, INC.

For Year Ended 2001

Location where books and records are located: 6200 E Hwy 62 Ste 800  
Jeffersonville, IN 47130

Contacts:

Name	Title	Principal Business Address	Salary Charged Utility
Send correspondence to: <u>FRANK HOFFMANN</u>	<u>PRESIDENT</u>	<u>200 CORPORATE CENTER DR #300</u> <u>CORAOPOLIS, PA 15108</u>	<u>\$ 0</u>
Report prepared by: <u>R. LEE SHANNON</u>	<u>CPA</u>	<u>11605 SHELBYVILLE ROAD</u> <u>LOUISVILLE, KY 40243</u>	<u>\$ N/A</u>
Officers and Managers			
<u>Frank Hoffmann</u>	<u>President</u>	<u>200 Corporate Center Drive</u> <sup>#300</sup>	<u>\$ 0</u>
<u>Anthony Villiotti</u>	<u>VP &amp; CFO</u>	<u>CORAOPOLIS, PA 15108</u>	<u>\$ 0</u>
<u>Martin Stueck</u>	<u>VP-Admin/Sec</u>		<u>\$ 0</u>
<u>Jon Evans</u>	<u>VP &amp; Gen Counsel</u>		<u>\$ 0</u>
<u>Mary Colin</u>	<u>Treasurer</u>		<u>\$ 0</u>
<u>Bryan Hiles</u>	<u>Controller</u>		<u>\$ 0</u>
			<u>\$</u>
			<u>\$</u>
			<u>\$</u>

Report every corporation or person owning or holding directly or indirectly 5 percent or more of the voting securities of the reporting utility:

Name	Percent Ownership in Utility	Principal Business Address	Salary Charged Utility
<u>AQUASOURCE</u>	<u>100 %</u>	<u>200 CORPORATE CENTER DR #300</u>	<u>\$ 0</u>
		<u>CORAOPOLIS, PA 15108</u>	<u>\$</u>
			<u>\$</u>
			<u>\$</u>
			<u>\$</u>
			<u>\$</u>
			<u>\$</u>
			<u>\$</u>
			<u>\$</u>

**COMPARATIVE BALANCE SHEET - ASSETS AND OTHER DEBITS**

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	<b>UTILITY PLANT</b>			
101-105	Utility Plant.....	11	\$ 4,155,262	\$ 4,352,649
108	Less: Accumulated Depreciation and Amortization.....	11-12	1,908,990	2,022,652
	Net Plant.....		\$ 2,246,172	\$ 2,329,997
114-115	Utility Plant Acquisition Adjustments (Net).....	13	2,955,268	2,900,517
	Total Net Utility Plant.....		\$ 5,201,740	\$ 5,230,514
	<b>OTHER PROPERTY AND INVESTMENTS</b>			
121	Nonutility Property.....		\$	\$
122	Less: Accumulated Depreciation and Amortization.....			
	Net Nonutility Property.....		\$	\$
124	Utility Investments.....	13		
	Total Other Property & Investments..		\$	\$
	<b>CURRENT AND ACCRUED ASSETS</b>			
131	Cash.....		\$	\$
132	Special Deposits.....			
141-143	Accounts Receivable, Less Accumulated Provision for Uncollectible Accounts.....	14	109,432	33,110
151	Materials and Supplies.....	14	726	726
174	Misc. Current and Accrued Assets....		379,287	296,918
	Total Current and Accrued Assets....		\$ 487,445	\$ 330,754
	<b>DEFERRED DEBITS</b>			
186	Misc. Deferred Debits.....	14		
190	Accumulated Deferred Income Taxes...	15		
	Total Deferred Debits.....		\$	\$
	<b>TOTAL ASSETS AND OTHER DEBITS.....</b>		\$ 5,689,185	\$ 5,561,268

**NOTES TO THE BALANCE SHEET**

The space below is provided for important notes regarding the balance sheet

**COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES**

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	<b>EQUITY CAPITAL</b>			
201	Common Stock Issued.....	16	\$	\$
204	Preferred Stock Issued.....	16		
211	Other Paid-In Capital.....		4,374,414	4,352,346
215	Retained Earnings.....	18	(209,156)	(299,749)
218	Proprietary Capital (Proprietorship and Partnership Only).....			
	Total Equity Capital.....		\$ 4,165,258	\$ 4,052,597
	<b>LONG-TERM DEBT</b>			
224	Long-Term Debt.....	16-17		
	Total Long-Term Debt.....		\$	\$
	<b>CURRENT AND ACCRUED LIABILITIES</b>			
231	Accounts Payable.....		\$	\$ (409)
232	Notes Payable.....	18	137,943	134,863
235	Customer Deposits.....		117,499	112,485
236	Accrued Taxes.....	19	11,183	34,113
237	Accrued Interest.....	20	2,277	2,821
242	Miscellaneous Current and Accrued Liabilities.....	20		7,894
	Total Current and Accrued Liabilities.....		\$ 268,902	\$ 296,767
	<b>DEFERRED CREDITS</b>			
252	Advances for Construction.....	15		
253	Other Deferred Credits.....			
255	Accumulated Deferred Investment Tax Credits.....			
	Total Deferred Credits.....		\$	\$
	<b>OTHER NON-CURRENT LIABILITIES</b>			
	Accumulated Provision For:			
265	Miscellaneous Operating Reserves....			
266	Rate Refunds.....			
	Total Other Non-Current Liabilities.		\$	\$

**COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES (CONT'D)**

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	CONTRIBUTIONS IN AID OF CONSTRUCTION			
271	Contributions In Aid of Construction	WATER SEWER 21-22	1,103,170	1,103,170
	Tap-on Fees - Customers .....		\$ 1,455,217	\$ 1,455,217
	Federal Grants in Aid of Const. ..			
	Other .....			
272	Accumulated Amortization of Contributions In Aid of Construction...		1,303,362	1,346,483
	Total Net C.I.A.C.....		\$ 1,255,025	\$ 1,211,904
	ACCUMULATED DEFERRED INCOME TAXES			
281	Accumulated Deferred Income Taxes Accelerated Depreciation.....		\$	\$
282	Accumulated Deferred Income Taxes Liberalized Depreciation.....			
283	Accumulated Deferred Income Taxes Other.....			
	Total Accum. Deferred Income Taxes..		\$	\$
	TOTAL EQUITY CAPITAL AND LIABILITIES		\$ 5,689,185	\$ 5,561,268

**COMPARATIVE OPERATING STATEMENT**

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	UTILITY OPERATING INCOME			
400	Operating Revenues.....	25	\$ 446,621	\$ 738,211
401	Operating Expenses.....	26	\$ 452,491	\$ 641,187
403	Depreciation Expenses.....		40,360	69,183
406	Amortization of Utility Plant			
	Acquisition Adjustment.....		109,937	41,632
407	Amortization Expense.....			<18,542>
408	Taxes Other Than Income.....		60,623	18,087
409.10	Income Taxes.....			
410.10	Deferred Income Taxes.....			
411.10	Provision for Deferred Income Taxes			
	Credit.....			
412.10	Investment Tax Credits Deferred to			
	Future Periods.....			
412.11	Investment Tax Credits Restored to			
	Operating Income.....			
	Utility Operating Expenses.....		\$ 663,411	\$ 751,547
	Total Utility Operating Income.....		\$ <216,790>	\$ <13,336>
	OTHER INCOME AND DEDUCTIONS			
419	Interest & Dividend Income.....			
420	Allowance for Funds Used During			
	Construction.....			
421	Nonutility Income.....		128,355	
426	Miscellaneous Nonutility Expenses...			
	Total Other Income and Deductions...		\$ 128,355	\$
	TAXES APPLICABLE TO OTHER INCOME			
408	Taxes Other Than Income.....		\$	\$
409.20	Income Taxes.....			
410.20	Provision for Deferred Income Taxes.			
411.20	Provision for Deferred Income Taxes			
	Credit.....			
412.20	Investment Tax Credits - Net.....			
412.21	Investment Tax Credits Restored to			
	Operating Income.....			
	Total Taxes Applic. to Other Income.		\$	\$
	INTEREST EXPENSE			
427	Interest Expense.....		\$ 9,967	\$ 14,229
	Total Interest Expense.....		\$ 9,967	\$ 14,229
	NET INCOME		\$ <98,402>	\$ <27,565>

**NET UTILITY PLANT (ACCTS. 101 - 105)**

ACCT. NO.	PLANT ACCOUNTS	TOTAL
101	Utility Plant in Service .....	\$ 2,693,751
103	Property Held for Future Use.....	
104	Utility Plant Purchased of Sold.....	
105	Construction Work in Progress.....	
	Total Utility Plant.....	\$ 2,693,751

**ACCUMULATED DEPRECIATION & AMORTIZATION (ACCT. 108)**

DESCRIPTION	TOTAL
Balance first of year.....	\$ 1,028,898
Credit during year:	
Accruals Charged to Account 108.....	69,183
Accruals Charged to Other Accounts (specify)	
.....	
Salvage.....	
Other Credits (specify)	
.....	
Total Credits.....	\$ 1,098,081
Debits during year:	
Book Cost of Plant Retired.....	\$
Cost of Removal.....	
Other Debits (specify)	
.....	
Total Debits.....	\$
Balance end of year.....	\$ 1,098,081

# ANALYSIS OF ACCUMULATED DEPRECIATION AND AMORTIZATION BY PRIMARY ACCOUNT

ACCT. NO. (a)	ACCOUNT (b)	BALANCE BEGINNING OF YEAR (c)	CREDITS DURING THE YEAR		CHARGES DURING THE YEAR		BALANCE END OF YEAR (h)
			CHARGES TO DEP. EXP. (d)	OTHER CREDITS (e)	PLANT RETIREMENTS (f)	OTHER CHARGES (g)	
301	Organization.....	\$	\$	\$	\$	\$	\$
302	Franchises.....						
303	Limited Term Interest in Land and Land Rights.....						
304	Structures & Improvements..	11,218	1960				13,178
305	Collecting and Impounding Reservoirs.....						
306	Lake River & Other Intakes.						
307	Wells and Springs.....	68,334	1938				70,272
309	Supply Mains.....						
310	Power Generating Equipment.						
311	Pumping Equipment.....	42,744	4,212				46,956
320	Water Treatment Equipment..	3,250	343				3,593
330	Distribution Reservoirs and Standpipes.....	180,828	26,726				207,554
331	Transmission & Distribution Mains.....	446,458	12,489				458,947
333	Services.....	32,634	3,272				35,906
334	Meters and Meter Installations.....	99,355	13,529				112,884
335	Hydrants.....	6,436	1,585				8,021
339	Other Plant & Miscellaneous Equipment.....	733					733
340	Office Furniture and Equip.	15,569	1120				16,689
341	Transportation Equipment...	49,398	573				49,971
343	Tools, Shop & Garage Equip.	44,062	235				44,297
345	Power Operated Equipment...	23,267	938				24,205
348	Other Tangible Plant.....	4,612	263				4,875
	TOTALS	\$ 1,028,898	\$ 69,183	\$	\$	\$	\$ 1,098,081

# UTILITY PLANT ACQUISITION ADJUSTMENTS (ACCTS. 114 - 115)

Report each acquisition adjustment and related accumulated amortization separately. For any acquisition adjustment approved by the Commission, include the Order Number.

ACCOUNT NAME	TOTAL
Acquisition Adjustments (114)	
BEGINNING BALANCE	\$ 2955,268
ADDITIONS	4,723
Total Plant Acquisition Adjustments.....	\$ 2,959,991
Accumulated Amortization (115)	
AMORTIZATION - WATER	\$ 41,632
" - SEWER	17,842
Total Accumulated Amortization.....	\$ 59,474
Net Acquisition Adjustments.....	\$ 2,900,517

# INVESTMENTS AND SPECIAL FUNDS (ACCT. 124):

Report hereunder all investments and special funds carried in Account 124.

DESCRIPTION OF SECURITY OR SPECIAL FUND (a)	FACE OR PAR VALUE (b)	YEAR END BOOK COST (c)
UTILITY INVESTMENTS (ACCT. 124):		
	\$	\$
Total Utility Investments.....		\$ NONE



**ACCOUNTS AND NOTES RECEIVABLE - NET (ACCOUNTS 141 & 143)**

Report hereunder all accounts and notes receivable included in Accounts 141 and 143.

DESCRIPTION	TOTAL
ACCOUNTS RECEIVABLE:	
Customer Accounts Receivable (Acct. 141).....	\$ 33,110
Total Accounts Receivable.....	\$ 33,110
Accumulated Provision for Uncollectible Accounts (Acct. 143):	
Balance first of year.....	\$
Add: Provision for uncollectibles for	
current year.....	\$
Collections of accounts previously	
written off.....	
Utility accounts.....	
Others.....	
Total Additions.....	\$
Deduct accounts written off during year:	
Utility Accounts.....	\$
Other.....	
Total accounts written off.....	\$
Balance end of year.....	\$
Total Accounts Receivable - Net.....	\$ 33,110

**MATERIALS AND SUPPLIES (151)**

ACCOUNT NAME	TOTAL
Plant Materials and Supplies (Account 151).....	\$ 726
Total Materials and Supplies.....	\$ 726

**MISCELLANEOUS DEFERRED DEBITS (ACCT. 186)**

DESCRIPTION	TOTAL
Miscellaneous Deferred Debits (Acct. 186):	
Deferred Rate Case Expense .....	\$
Other Deferred Debits .....	
Total Miscellaneous Deferred Debits.....	\$ 0

**ACCUMULATED DEFERRED INCOME TAXES (ACCT. 190)**

DESCRIPTION	TOTAL
Accumulated Deferred Income Taxes (Acct. 190):	
Federal .....	\$
State .....	
Local .....	
Total Accumulated Deferred Income Taxes.....	\$ 0

**ADVANCES FOR CONSTRUCTION (ACCT. 252)**

DESCRIPTION	TOTAL
Balance first of year.....	
Add credits during year.....	
Deduct charges during year.....	
Balance end of year.....	0

**CAPITAL STOCK (ACCTS. 201 & 204)**

(a)	COMMON STOCK (b)	PREFERRED STOCK (c)
Par or stated value per share.....		
Shares authorized.....		
Shares issued and outstanding.....		
Total par value of stock issued.....		
Dividends declared per share for year.....		NONE

**LONG TERM DEBT (ACCT. 224)  
(OTHER THAN BONDS)**

DESCRIPTION OF OBLIGATION (INCLUDING NOMINAL DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST		PRINCIPAL PER BALANCE SHEET DATE (d)
	RATE (b)	AMOUNT (c)	
		\$	\$
Total.....		\$	\$ NONE

ACCOUNT 224, BONDS

Line No.	Par Value of Actual Issue (1)	Cash Realized on Actual Issue (2)	Par Value of Amount Held by or for Respondent (3)	Actually Outstanding At Close of Year (4)	Interest During Year	
					Accrued (5)	Actually Paid (6)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
Total						NONE

SCHEDULE OF BOND MATURITIES

(The total of column 12 must agree with the total of column 4)

Line No.	Bond Numbers (7)	Maturity Date (8)	Interest Rate (9)	Principal Amount (10)	Amounts Paid (11)	Remaining Bonds Outstanding (12)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
TOTAL						NONE

# STATEMENT OF RETAINED EARNINGS

1. Dividends should be shown for each class and series of capital stock. Show amounts of dividends per share.

ACCT. NO. (a)	(b)	AMOUNTS (c)
215	Retained Earnings:	
	Balance beginning of year.....	\$ <209,156>
	Changes to account:	
	Adjustments to Retained Earnings (requires Commission approval prior to use):	
	Credits.....	\$
	Total Credits.....	\$
	Debits.....	\$
	Total Debits.....	\$
	Balance Transferred from Income.....	\$ <27565>
	LOSS TRANSFERRED FROM SEWER	<63,028>
	Dividends Declared:	
	Preferred Stock Dividends Declared.....	\$
	Common Stock Dividends Declared.....	
	Total Dividends Declared.....	\$
	Total Retained Earnings.....	\$ <299,749>

Notes to Statement of Retained Earnings:

## NOTES PAYABLE (ACCOUNT 232)

(a)	NOMINAL DATE OF ISSUE (b)	DATE OF MATURITY (c)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (f)
			RATE (d)	AMOUNT OF PAYMENT (e)	
Account 232 - Notes Payable:					
FIRST CAPITAL BANK	9-10-96	1-10-02	8.25	\$ 11,042	\$ 139,863
Total Account 232.....				\$	\$ 139,863

**TAXES ACCRUED (ACCOUNT 236)**

ACCT. NO. (a)	DESCRIPTION (b)	TOTAL (c)
	Balance first of year.....	\$ 11,183
	Accruals Charged:	
408	Utility regulatory assessment fees.....	
408	Property taxes.....	25,531
408	Payroll taxes.....	
408	Other taxes and licenses.....	<74447
408	Taxes other than income, other income and deductions	
409.10	Federal income taxes.....	
409.10	State income taxes.....	
409.10	Local income taxes.....	
409.20	Income taxes, other inc. taxes, other inc. & deduct.	
410.10	Deferred federal income taxes.....	
410.10	Deferred state income taxes.....	
410.10	Deferred local income taxes.....	
410.20	Provisions for def. inc. taxes, other inc. & deduct.	
411.10	Deferred income taxes - credit.....	
411.20	Provisions for deferred income taxes - credit, other income and deductions.....	
412.10	ITC deferred to future periods.....	
412.11	ITC restored to operating income.....	
412.20	ITC - Net nonutility operations.....	
412.21	ITC - Restored to nonoperating income, utility operations.....	
	Total taxes accrued.....	\$ 18,087
	Taxes paid during year:	
408	Utility regulatory assessment fees.....	
408	Property taxes.....	
408	Payroll taxes.....	
408	Other taxes and licenses.....	<4843>
408	Taxes other than income, other income and deductions	
409.10	Federal income taxes.....	
409.10	State income taxes.....	
409.10	Local income taxes.....	
409.20	Income taxes, other inc. taxes, other inc. & deduct.	
410.10	Deferred federal income taxes.....	
410.10	Deferred state income taxes.....	
410.10	Deferred local income taxes.....	
410.20	Provisions for def. inc. taxes, other inc. & deduct.	
411.10	Deferred income taxes - credit.....	
411.20	Provisions for deferred income taxes - credit, other income and deductions.....	
412.10	ITC deferred to future periods.....	
412.11	ITC restored to operating income.....	
412.20	ITC - Net nonutility operations.....	
412.21	ITC - Restored to nonoperating income, utility operations.....	
	Total taxes paid.....	\$ <4843>
	Balance end of year.....	\$ 34,113

## ACCRUED INTEREST (ACCOUNT 237)

DESCRIPTION OF DEBT (a)	BALANCE BEGINNING OF YEAR (b)	INTEREST ACCRUED DURING YEAR (c)	INTEREST PAID DURING YEAR (d)	BALANCE END OF YEAR (e)
Account No. 237 - Accrued Interest on Long-Term Debt:	\$	\$	\$	\$
	2,277	14,229	13,685	2,821
Total Acct. No. 237	\$ 2,277	\$ 14,229	\$ 13,685	\$ 2,821

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (ACCOUNT 242)

DESCRIPTION (a)	BALANCE END OF YEAR (b)
MISCELLANEOUS CURRENT LIABILITIES	\$ 7894
Total Miscellaneous Current and Accrued Liabilities.....	\$ 7894

**REGULATORY COMMISSION EXPENSE - AMORTIZATION  
OF RATE CASE EXPENSE (ACCOUNT 665)**

DESCRIPTION OF CASE (DOCKET NO.) (a)	EXPENSE - INCURRED DURING YEAR (b)	AMOUNT TRANSFERRED TO ACCOUNT NO. 186.1 (c)	CHARGED OFF DURING YEAR AMOUNT (e)
	\$	\$	\$
Total.....	\$	\$	\$ NONE

**CONTRIBUTIONS IN AID OF CONSTRUCTION (ACCOUNT 271)**

DESCRIPTION	TOTAL
Balance first of year.....	\$ 1,103,170
Add credits during year.....	\$
Deduct charges during year.....	\$
Balance end of year.....	\$ 1,103,170
Less Accumulated Amortization.....	\$ 479,877
Net Contributions in Aid of Construction.....	\$ 623,293



**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES  
(UTILITY OPERATIONS)**

1. The reconciliation should include the same detail as furnished on Schedule M-1 of the Federal tax return for the year. The reconciliation shall be submitted even though there is no taxable income for the year. Descriptions should clearly indicate the nature of each reconciling amount and show the computation of all tax accruals.
2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating intercompany amounts to be eliminated in such consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

DESCRIPTION	REF.	AMOUNT
Net income for the year.....		\$ <27,565>
Reconciling items for the year:		
Taxable income not reported on books:		
Loss from Sewer		<63,028>
Deductions recorded on books not deducted for return:		
Income recorded on books not included in return:		
Deduction on return not charged against book income:		
Depreciation		<26,321>
Federal tax net income.....		\$ <116,914>
Computation of tax:		

# WATER UTILITY PLANT ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	PREVIOUS YEAR (c)	ADDITIONS (d)	RETIRE- MENTS (e)	CURRENT YEAR (f)
301	Organization.....	\$	\$	\$	\$
302	Franchises.....				
303	Land and Land Rights.....	205,231			205,231
304	Structures & Improvements..	150,972			150,972
305	Collecting and Impounding Reservoirs.....				
306	Lake River & Other Intakes.				
307	Wells and Springs.....	79,465			79,465
309	Supply Mains.....				
310	Power Generation Equipment.				
311	Pumping Equipment.....	65,747			65,747
320	Water Treatment Equipment..	7,984			7,984
330	Distribution Reservoirs & Standpipes.....	484,075			484,075
331	Transmission & Distribution Mains.....	1,108,072	193,667		1,281,739
333	Services.....	77,964			77,964
334	Meters and Meter Installations.....	158,149	6,720		164,869
335	Hydrants.....	10,736			10,736
339	Other Plant & Miscellaneous Equipment.....	1,971			1,971
340	Office Furniture and Equip.	18,034			18,034
341	Transportation Equipment...	38,838	17,000		55,838
343	Tools, Shop and Garage Eq..	48,981			48,981
345	Power Operated Equipment...	25,798			25,798
348	Other Tangible Plant.....	14,347			14,347
	Total Water Plant.....	\$2,496,364	\$197,387	\$	\$2,693,751

# WATER OPERATING REVENUE

ACCT. NO. (a)	(b)	BEGINNING YEAR NO. CUSTOMERS (c)	YEAR END NUMBER CUSTOMERS (d)	AMOUNTS (e)
	Operating Revenues:			
460	Unmetered Water Revenue.....			\$
461	Metered Water Revenue:			
461.1	Sales to Residential Customers.....	1778	1776	\$ 512,585
461.2	Sales to Commercial Customers.....	42	44	26,783
461.3	Sales to Industrial Customers.....	3	3	738
461.4	Sales to Public Authorities.....	5	5	7,444
461.5	Sales to Multiple Family Dwellings.....			
461.6	Sales through Bulk Loading Stations....	1	1	
	Total Metered Sales.....	1779	1829	\$ 547,550
462	Fire Protection Revenue:			
	Total Fire Protection Revenue.....			\$
465	Sales to Irrigation Customers.....			
466	Sales for Resale.....			
	Total Sales of Water.....	1779	1829	\$ 547,550
	Other Water Revenues:			
474	Other Water Revenues.....			190,661
475	Provision for Rate Refunds.....			
	Total Other Water Revenues.....			\$ 190,661
	Total Water Operating Revenues.....			\$ 738,211

**WATER UTILITY EXPENSE ACCOUNTS**

ACCT. NO. (a)	ACCOUNT NAME (b)	CURRENT YEAR (c)
601	Salaries and Wages - Employees.....	\$ 88,444
603	Salaries and Wages - Officers, Directors & Majority Stockholders....CORPORATE OVERHEAD...	334,130
604	Employee Pensions and Benefits.....	22,944
610	Purchased Water.....	74,880
615	Purchased Power.....	54,570
616	Fuel for Power Production.....	
618	Chemicals.....	3,601
620	Materials and Supplies.....	18,673
630	Contractual Services.....	25,733
640	Rents. ....	<59>
650	Transportation Expenses.....	7,395
655	Insurance.....	
665	Regulatory Commission Expenses.....	
670	Bad Debt Expense.....	11,393
675	Miscellaneous Expenses.....	<517>
	Total Water Utility Expenses.....	\$ 641,187

# PUMPING AND PURCHASED WATER STATISTICS

	WATER PURCHASED FOR RESALE (Omit 000's)	WATER PUMPED FROM WELLS (Omit 000's)	TOTAL WATER PUMPED AND PURCHASED (Omit 000's)	WATER SOLD TO CUSTOMERS (Omit 000's)
(a)	(b)	(c)	(d)	(e)
January.....	4,284	10,415	14,699	8,996
February.....	3,344	9,515	12,859	13,428
March.....	2,910	10,635	13,545	11,112
April.....	3,585	12,049	15,634	11,647
May.....	5,805	13,944	19,749	15,728
June.....	6,546	11,378	17,924	15,243
July.....	7,154	12,987	20,141	16,801
August.....	6,569	13,260	19,829	25,608
September.....	5,702	11,320	17,022	19,826
October.....	4,625	10,846	15,471	13,592
November.....	4,767	9,673	14,440	12,647
December.....	4,591	10,009	14,600	12,231
Total for year.....	59,882	136,031	195,913	176,851

Maximum gallons pumped by all methods in any one day (Omit 000's): 672

Date 7/15/01

Minimum gallons pumped by all methods in any one day (Omit 000's): 114

Date 1/12/01

If water is purchased for resale, indicate the following:

Vendor Oldham County Water Dist/Louisville Water

Point of delivery Rockeye, LN + US Hwy 42/mayo LN + US Hwy 4

If water is sold to other water utilities for redistribution, list names of such utilities below:

N/A

# SALES FOR RESALE (466)

LINE #	COMPANY	GALLONS	AVG. RATE (CENTS)	AMOUNT
1				
2				
3				
4				
5				
6				
7	TOTAL			

## WATER STATISTICS

Line	Item	Gallons
1.	<b>WATER PRODUCED, PURCHASED, &amp; DISTRIBUTED</b>	
2.	Water Produced	136,031,000
3.	Water Purchased	59,882,000
4.	<b>TOTAL PRODUCED AND PURCHASED</b>	195,913,000
5.		
6.	<b>WATER SALES:</b>	
7.	Residential	156,650,000
8.	Commercial	15,523,000
9.	Industrial	172,000
10.	Irrigation	0
11.	Resale	2,478,000
12.	Other Sales	2,031,000
13.	<b>TOTAL WATER SALES</b>	176,854,000
14.		
15.	<b>OTHER WATER USED (estimate portions not metered):</b>	
16.	Utility/water treatment plant	4,455,000
17.	Wastewater plant	5,617,000
18.	System flushing	6,100,000
19.	Water main breaks/leaks	
20.	Storage tank overflow	0
21.	Fire department	2,874,000
22.	Other (construction, flushing, disinfection, etc.)	13,000
23.	<b>TOTAL OTHER WATER USED</b>	19,059,000
24.		
25.	<b>UNACCOUNTED-FOR WATER LOSS:</b>	
26.	Line 4 - (Line 13 + Line 23)	0
27.		
28.	<b>UNACCOUNTED-FOR WATER LOSS PERCENTAGE:</b>	
29.	Line 26 divided by Line 4	0 %

# PLANT STATISTICS

Give the following information:

1. Number of fire hydrants, by size
2. Number of private fire hydrants, by size
3. Whether water supply is river, impounded streams, well, springs, artificial lake or collector type well
4. Whether supply is by gravity, pumping, or a combination
5. Type, capacity, and elevation of reservoirs at overflow and ground level
6. Miles of main by size and kind
7. Types of filters: gravity or pressure, number of units, and total rated capacity in gallons per minute
8. Type of chlorinators, number of units and capacity in pounds per 24 hours
9. Station equipment. List each pump separately, giving type and capacity and H.P. of driving unit and character of driving unit (steam, electric, or internal combustion). State whether pump is high or low duty.
10. Quantity of fuel used: coal in pounds, gas in cu. ft., oil in gallons, and electric in KWH.
11. Give a description and total cost of any sizable additions or retirements to plant in service outside the normal system growth for the period covered by this report
12. Capacity of clear well
13. Peak month, in gallons of water sold
14. Peak day, in gallons of water sold

1)	138 Municipal Fire Hydrants	4½" X 2½" x 2½"
2)	8 Private Fire Hydrants	4½" X 2½" X 2½"
3)	Wells	
4)	Combination	
5)	Tower - 50,000 gallons - 117' high	
	Ground Storage Tank - 700,000 gallons - 42' high	
	Elevated Storage Tank - 200,000 gallons - 122' high	
	150,000 gallon Fresh Water Lake for standby	
6)	4" Steel Transmission Mains	3000'
	4" PVC Transmission Mains	4300'
	6" PVC Transmission Mains	41,650'
	8" PVC Transmission Mains	32,950'
	2", 3", 4", 6" PVC and Cast Iron Distribution Mains	145,350'
7)	None	
8)	Fisher Porter (2) One at 50 lbs capacity, one at 200 lbs	
9)	1 - Elec. pump 250 G.P.M. 40 H.P. 400 TDH Heavy Duty	
	1 - Elec. pump 100 G.P.M. 20 H.P. " " " "	
	1 - Elec. pump 860 G.P.M. 30 H.P. 160 TDH Heavy Duty	
	2 - Elec. pump 400 G.P.M. 75 H.P. 525 " " "	
10)	550,661 KWH	
11)	8" PVC Distribution Mains - 15,000'	
12)	N/A	
13)	27,241,000	
14)	1,010,000	



**ANNUAL WATER FINANCIAL  
AND OPERATING REPORT**

OF

---

**GOSHEN UTILITIES, INC.**

---

TO THE

**Public Service Commission**

OF THE


**COMMONWEALTH OF KENTUCKY**

**FOR THE YEAR ENDED DECEMBER 31, 2001**

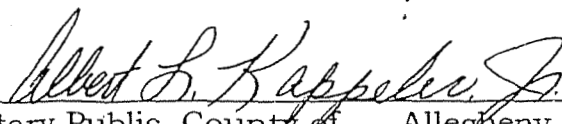
OATH

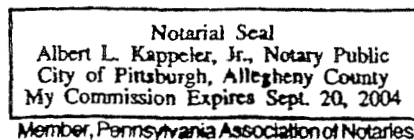
State of Pennsylvania )  
 ) ss.:  
County of Allegheny )

Before me, the undersigned officer duly authorized to administer Oaths, there personally appeared Anthony J. Villiotti,  
(Name of Affiant)  
who, being sworn by me, says on oath that he is in charge of the records of Goshen Utilities, Inc  
(Exact legal name of company)  
and that of the foregoing report is true to the best of his/her knowledge and belief, and that it covers the period from January 1, 2001, to December 31, 2001.

  
(Signature of affiant)

Subscribed and sworn before me this 12th day  
of June, 2002.

  
Notary Public, County of Allegheny  
My Commission expires September 20, 2004



## BILL OF SALE

THIS BILL OF SALE is made as of July 30, 2002 by GOSHEN UTILITIES, INC., a Kentucky corporation ("Assignor"), in favor of AQUASOURCE UTILITY, INC., a Texas corporation ("Assignee"), pursuant to the terms of that certain Stock Purchase Agreement dated as of March 11, 2002 between Assignee and Louisville Water Company (the "Agreement"). Capitalized terms used herein which are defined in the Agreement shall have the meanings assigned to them therein unless otherwise defined herein.

For good and valuable consideration, receipt of which is hereby acknowledged, Assignor does hereby sell, convey, transfer, assign and deliver to Assignee, and its successors and assigns, free and clear of any and all Liens, all of the assets more particularly described on Exhibit A which is attached hereto and made a part hereof by this reference.

Assignor hereby covenants that, from time to time after delivery of this Bill of Sale, at Assignee's request and without further consideration, Assignor shall do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, any and all such further acts, instruments and other things or writings reasonably requested by Assignee in order to evidence and effectuate the consummation of any of the transactions contemplated by this Bill of Sale.

IN WITNESS WHEREOF, Assignor has caused this Bill of Sale to be executed as of the date first written above.

GOSHEN UTILITIES, INC.

By: \_\_\_\_\_

Printed: JOHN E. EVANS

Its: VICE PRESIDENT

## **EXHIBIT A**

### **ASSETS**

1. All rights in and to the name AquaSource or any derivative thereof as may be currently used by the Company
2. Air Compressor
3. Generator
4. All Scotsman office trailers and all contents thereof
5. All motor vehicles used in the Company's operations including, but not limited to, the following:
  - A. 1995 Ford F350 Pickup Truck
  - B. 1985 International Dump Truck
  - C. 1998 Chevy Pickup Truck
  - D. 1996 Chevy Pickup Truck
  - E. 2000 Ford F250 Pickup Truck
  - F. 1990 Case Backhoe
  - G. 1992 Merritt Trailer

This DEED made and entered into this 28th day of May, 2002, by and between Goshen Utilities, Inc., a Kentucky corporation, 411 Seventh Avenue, 14th Floor, Pittsburgh, Pennsylvania 15219, party of the first part, and Carl A. Schultz, Jr. and Peggy A. Schultz, his wife, P. O. Box 6089, Louisville, Kentucky 40206, parties of the second part.

WITNESSETH: That for the total consideration of Twelve Thousand Dollars (\$12,000.00), the receipt of which is hereby acknowledged, the party of the first part hereby conveys unto the parties of the second part, jointly for life with the remainder to the survivor of them in fee simple, without warranty, real estate located in Oldham County, Kentucky, more particularly described as follows:

Being Lot No. 8 as shown on the Plat of Harmony Lake Subdivision, Section 1, Block R, recorded in Plat Book 1, page 33 in the Oldham County Clerk's office.

Being a part of the property conveyed to Goshen Utilities, Inc., a Kentucky corporation, by Deed recorded in Deed Book 703, page 226 in the aforesaid Clerk's office.

PROVIDED, HOWEVER, this conveyance is made subject to stipulations and easements of record affecting said property.

Possession is to be given upon delivery of deed.

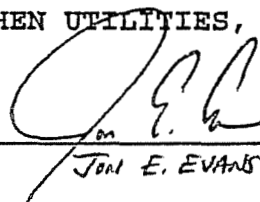
CONSIDERATION CERTIFICATE

Party of the first part and parties of the second part hereby certify that the consideration reflected in this Deed is the full consideration paid for the property.

In Testimony Whereof, witness the signature of the party of the first part by its duly authorized officer, and the signatures of the parties of the second part the date first above written.

GOSHEN UTILITIES, INC.

By



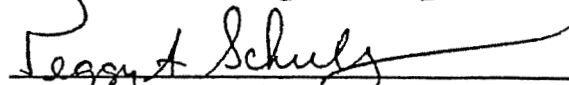
Jon E. Evans, Vice President

Carl A. Schultz, Jr.

GOSHEN UTILITIES, INC.

By

  
\_\_\_\_\_  
Carl A. Schultz, Jr.

  
\_\_\_\_\_  
Peggy A. Schultz

STATE OF PENNSYLVANIA  
COUNTY OF \_\_\_\_\_

The foregoing Deed and Consideration Certificate was acknowledged and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2002 by \_\_\_\_\_ of Goshen Utilities, Inc., a Kentucky corporation, on behalf of the corporation, party of the first part.

My commission expires \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

STATE OF KENTUCKY  
COUNTY OF OLDHAM

The foregoing Deed and Consideration Certificate was acknowledged and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2002 by Carl A. Schultz, Jr. and Peggy A. Schultz, his wife, parties of the second part.

My commission expires \_\_\_\_\_.

\_\_\_\_\_  
Notary Public  
State of Kentucky at Large

Prepared in the law offices of  
Williamson, Simpson, Combs & Theiss  
LaGrange, Kentucky 40031

By \_\_\_\_\_  
Raymond Simpson

Peggy A. Schultz

~~COMMONWEALTH~~  
STATE OF PENNSYLVANIA  
COUNTY OF ALLEGHENY

The foregoing Deed and Consideration Certificate was acknowledged and sworn to before me this 28th day of MAY, 2002 by JON E. EVANS, VICE PRESIDENT of Goshen Utilities, Inc., a Kentucky corporation, on behalf of the corporation, party of the first part.

My commission expires \_\_\_\_\_.

STATE OF KENTUCKY  
COUNTY OF OLDHAM

Barbara J. Bencslos  
Notary Public  
Notarial Seal  
Barbara J. Bencslos, Notary Public  
Moon Twp., Allegheny County  
My Commission Expires Oct. 2, 2004  
Member, Pennsylvania Association of Notaries

5-28-02

The foregoing Deed and Consideration Certificate was acknowledged and sworn to before me this 28 day of MAY, 2002 by Carl A. Schultz, Jr. and Peggy A. Schultz, his wife, parties of the second part.

My commission expires 7-28-2002.

[Signature]  
Notary Public  
State of Kentucky at Large

Prepared in the law offices of  
Williamson, Simpson, Combs & Theiss  
LaGrange, Kentucky 40031

By [Signature]  
Raymond Simpson

DOCUMENT NO: 257690  
RECORDED ON: MAY 30, 2002 03:39:01PM  
TOTAL FEES: \$12.00  
TRANSFER TAX: \$12.00  
COUNTY CLERK: ANN B BROWN  
COUNTY: OLDHAM COUNTY  
DEPUTY CLERK: NANCY DONNER  
C:\W\DOWN\SIMPSON\SCHULTZ DEED & HARMONY LAKE.WPD  
BOOK D716 PAGES 138 - 140

WSCAT

**Utility Easement**

AND PEGGY A. SCHULTZ, HIS WIFE

KNOW ALL MEN BY THESE PRESENTS, That **CARL A. SCHULTZ, JR. (PROPERTY OWNER)** having an address of 1114 Meadowridge Trail, Goshen, Kentucky (hereinafter called "Grantor") in consideration of one dollar (\$1) and other good and valuable consideration paid by **GOSHEN UTILITIES, INC.** having an address of Mall drop 14-2, 411 Seventh Avenue, Pittsburgh PA 15219 (hereinafter called "Grantee"), the receipt and sufficiency of which is hereby acknowledged, does hereby grant, bargain, sell, transfer, and convey to Grantee, its successors and assigns, a perpetual and exclusive utility easement, ten (10) feet in width, as described in and shown on the attached *Exhibit A* (the "Easement Area"), with the right to erect, construct, install and lay and thereafter use, operate, inspect, repair, maintain, replace, and remove utility pipes, lines and facilities, including, but not limited to, pipes, lines or other facilities for potable water, in, under, over and across the property of Grantor, being the same property conveyed to the Grantor by deed dated 5-28-02, and recorded in the Office of the Oldham County Court Clerk in Deed Book 916, page 138, (the "Property"); together with the right of ingress, egress and regress across the Property for purposes of construction, repair and maintenance and other purposes related to the utilities to be installed within the Easement Area.

If deemed by Grantee to be the most effective and efficient means of construction, Grantee shall have the right to open cut over and across the Property, by open cutting the driveway or entrance to the Property and across the remainder of the Property. Buildings and/or residences with one driveway for access will be open cut and access will be provided via a temporary covering of the driveway, and during construction Grantee or its contractor will install the cover over the driveway at the Grantor's request for emergency access. Buildings and/or residences with two driveways for access will be open cut and access will be provided via a temporary top covering the driveway; provided however, only one driveway will be open at one time.

Grantee shall have the right to clear and keep clear all trees, undergrowth, and other obstructions that may interfere with normal operation or maintenance of the utilities and any facilities placed in the Easement Area by Grantee. Grantor agrees not to build, construct or create, or permit others to build, construct or create any buildings or other structures in the Easement Area that may interfere with the normal operations or maintenance of the utility facilities installed therein. Grantor further agrees not to change the grade of the surface within the Easement Area without the prior written consent of Grantee.

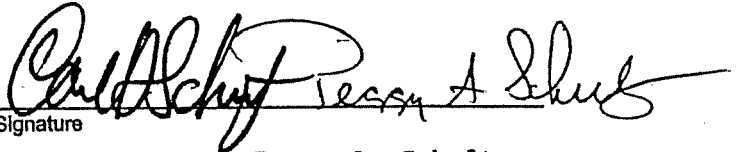
The consideration recited herein shall constitute payment in full for the Easement Area and the installation and operation of the utilities referred to herein and Grantor(s) acknowledge(s) and agree(s) that no further consideration or compensation is necessary, required or expected. Grantee shall maintain such utility pipes, lines and facilities in a state of good repair so that no unreasonable damages to the Property will result from their use. Grantee shall repair all damage it causes to the Easement Area and the Property as a direct result of Grantee's exercise of its rights hereunder. This agreement and the rights and obligations herein shall constitute a covenant running with the land for the benefit of the Grantee, its successors and assigns and shall be binding upon Grantor, his heirs and assigns. Grantee shall have the full and unrestricted right to assign all or any of its rights hereunder to one or more third parties for the uses herein permitted, individually or jointly with Grantee. Grantor covenants that he is the owner of the Property and that said Property is free and clear of all encumbrances and liens.

[Remainder of page intentionally left blank. Signature page follows.]



IN WITNESS WHEREOF, the parties hereto have executed, sealed and delivered this Utility Easement this 28 day of May, 2002.

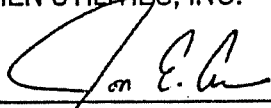
GRANTOR:

  
Signature

Carl A. Schultz, Jr. Peggy A. Schultz  
Type or Print Name

GRANTEE:

GOSHEN UTILITIES, INC.

By:   
Type or Print Name: JON E. EVANS

Title: VICE PRESIDENT

GRANTOR ACKNOWLEDGEMENT

STATE OF KENTUCKY )

COUNTY OF OLDHAM )

The foregoing instrument was acknowledged before me this date, MAY 28, 2002, by  
Carl A. Schultz, Jr., and Peggy A. Schultz, his wife.

My Commission Expires: 7-28-2002

Signature

Print Name (Title or Rank) RAYMOND SIMPSON NOTARY PUBLIC STATE OF KY AT LARGE

Serial Number (if any)

GRANTEE ACKNOWLEDGMENT

COMMONWEALTH OF PENNSYLVANIA  
STATE OF KENTUCKY

COUNTY OF ALLEGHENY

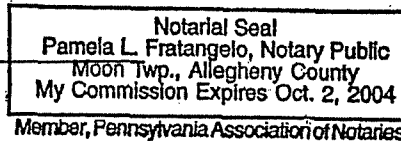
)  
)  
)

The foregoing instrument was acknowledged before me this date, May 23, 2002, by  
JOHN E. EVANS, VICE PRESIDENT, of Goshen Utilities, Inc. a Kentucky  
corporation, on behalf of the corporation.

My Commission Expires: \_\_\_\_\_

Pamela L. Fratangelo  
Signature

\_\_\_\_\_  
Print Name (Title or Rank)



\_\_\_\_\_  
Serial Number (if any)

for [Signature]  
Prepared by and return to:  
Marcia L. Grimes, Esquire  
Babst, Calland, Clements & Zomnir, PC  
Two Gateway Center  
Pittsburgh, PA 15222

# EXHIBIT A

OLDHAM COUNTY  
D716 Pg 219

## WATER LINE EASEMENT

### DESCRIPTION

Being a ten (10) foot wide waterline easement across Lot 8 of Harmony Lake Subdivision as recorded in Plat Book 1, Page 25 and Deed Book 329, Page 429 in the office of the Oldham County Court Clerk. Said easement being as shown on an Easement Plat by Kiesel/Meyer Engineers, Planners & Surveyors, Inc. dated 4-22-02. Said easement being more particularly described as follows:

Beginning at a point in the South line of Meadowridge Trail at a common corner with said Lot 8 and Lot 9; thence, leaving said Lot 9 and following said Meadowridge Trail South  $35^{\circ} 10' 00''$  East, 40.00 feet to a point being the TRUE POINT OF BEGINNING of the center line of a ten (10) foot wide waterline easement; thence, leaving said Meadowridge Trail and following the center line of said waterline easement North  $77^{\circ} 46' 33''$  West, 47.55 feet to a point being 5.00 feet from the Northwest line of said Lot 8; thence, being 5.00 feet from and parallel with the Northwest line of Lot 8 South  $54^{\circ} 50' 00''$  West, 117.74 feet to a point in the Southwest line of Lot 8 being South  $35^{\circ} 14' 30''$  East, 5.01 feet from the common rear corner of Lot 8 and Lot 9.

Said easement containing 1,653 square feet, more or less.

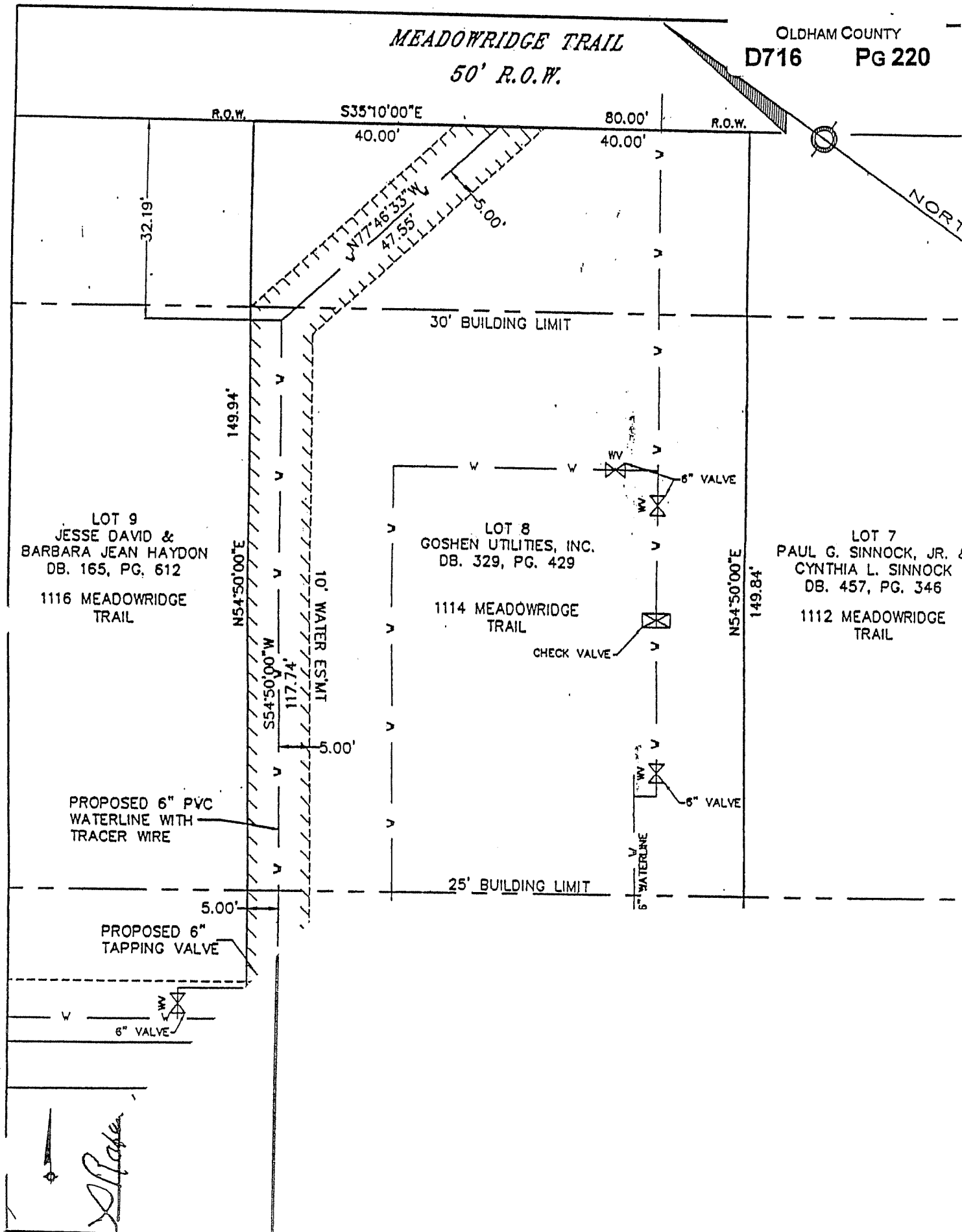
kme/legal/Skip Schultz/01030/Water Line Easement

DOCUMENT NO: 257755  
RECORDED ON: MAY 31, 2002 02:09:56PM  
TOTAL FEES: \$18.00  
COUNTY CLERK: ANN B BROWN  
COUNTY: OLDHAM COUNTY  
DEPUTY CLERK: NANCY DONNER

BOOK D716 PAGES 215 - 220

MEADOWRIDGE TRAIL  
50' R.O.W.

OLDHAM COUNTY  
D716 PG 220



**GOSHEN UTILITIES, INC.**

**TANGIBLE PERSONAL PROPERTY LIST**

---

1- PRV at 1012 Riverside Drive  
1-PRV at the corner of Rose Island Road & Cardinal Harbour Dr.

2-3" pvc 90  
1-3" pvc MAD  
4- 3" pvc FAD  
1-3" pvc slip coupling  
1-4"pvc trap  
1-4" pvc slip coupling  
1-4" pvc coupling  
1-4" pvc 90  
8-8"x3/4" saddles  
1-4" brass saddle  
1-8"x2" CI bell reducer  
7-2" brass saddles  
8-1 1/2" brass saddles  
2-1" brass mewter flanges  
3-end of line blow-offs  
3-12" gripper rings  
2-2" brass saddles  
10- meter pit tops (old & new)  
15-meter lids (old & new)  
2-used 1 1/2" meters  
2-used 2" meters  
5-new meter pit tops  
6- meter setters  
5-pvc sweep 90  
4-Skinner 3"x1" service saddles  
Assorted fire hydrant parts  
1-3"x12" SS repair clamp  
1-2"x3" SS repair clamp  
2-2"x12" SS repair clamps  
4-6" rubber gaskets  
4-8" rubber gaskets  
3-6" brass saddles  
3-8" brass saddles  
10-curb stop valve boxes  
2-3/4" brass wyes  
5-3/4" curb stops  
7-1" curb stops  
2-3/4" brass couplings

- 1-1" brass tee
- 1-1" brass wye
- 1-1 1/4" brass coupling
- 15- inserts
- 1-2" pvc union
- 5-3" brass saddles
- 4-20ft lengths 6" pvc pipe
- 9-20ft lengths 1 1/2" pvc pipe

1- 250K elevated storage tank and 1 auto dialer

1- 50K elevated storage tank

1- 750K ground storage tank

Water Plant Bldg.:

- 2- high service pumps
- 10- control panels
- 1- generator (CAT D397 series D)
- 1- switch gear for the generator
- 1- Batt. charger for generator
- 3- water meters
- 2- water pumps in need of repair
- 1- wire gate
- 1- electric fan
- 1- gas heater
- 1- auto dialer
- 2- chlorinators and injectors
- 7- water pump impellers (in need of repair)
- 1- 7hp electric motor
- 1- LMI pump for the fluoride
- 1- 250 gal fuel tank

Main Well:

- 1- pump
- 1-motor
- 1-motor that needs repair
- 1- disconnect

Well # 2:

- 1- pump
- 1-motor
- 1- disconnect

Well#3:

- 1- pump

- 1- motor
- 1- disconnect

Old Pump House:

- 5- control panels

Utility Bldg.:

- 7- valve wrenches
- 500 gal. fuel tank with containment
- 1- V30 Ditch Witch trencher, with boring attachment and push bars
- 1- pushing machine
- 1- Fire hydrant
- 1- 1 1/2 in. gas water pump
- 1- Hi wheel lawn mower
- 1- Murray 20" lawn mower
- 3- 50ft. sections of fire hose

- 1 Accer Clone Computer





Paul E. Patton, Governor

Janie A. Miller, Secretary  
Public Protection and  
Regulation Cabinet

Thomas M. Dorman  
Executive Director  
Public Service Commission

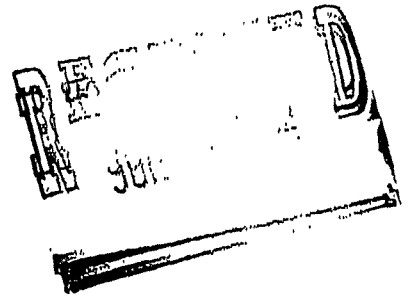
COMMONWEALTH OF KENTUCKY  
PUBLIC SERVICE COMMISSION  
211 SOWER BOULEVARD  
POST OFFICE BOX 815  
FRANKFORT, KENTUCKY 40602-0815  
[www.psc.state.ky.us](http://www.psc.state.ky.us)  
(502) 564-3940  
Fax (502) 564-3480

Martin J. Huelsmann  
Chairman

Gary W. Gillis  
Vice Chairman

Robert E. Spurlin  
Commissioner

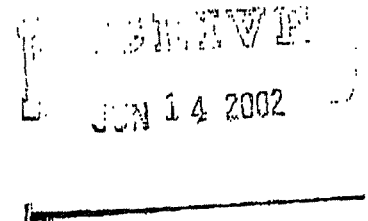
Honorable Laura M. Douglas  
Vice President, General Counsel  
Louisville Water Company  
550 S. Third Street  
Louisville, KY 40202



CERTIFICATE OF SERVICE

RE: Case No. 2002-00088  
Louisville Water Company

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on June 13, 2002.



*Stephanie Bell*

Secretary of the Commission

SB/sa  
Enclosure



AN EQUAL OPPORTUNITY EMPLOYER M/F/D

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF	)	
LOUISVILLE WATER COMPANY	)	CASE NO.
FOR APPROVAL OF ACQUISITION	)	2002-00088
OF STOCK OF GOSHEN UTILITIES, INC.	)	

O R D E R

On March 19, 2002, the Louisville Water Company ("Louisville Water") filed with the Commission an application pursuant to KRS 278.020(4) and (5) and 807 KAR 5:001, Section 8, requesting Commission approval of its proposed acquisition of the stock of Goshen Utilities, Inc. ("Goshen").

PROCEDURE

Gregory E. and Karen D. Mayes, Gordon and Carole McMurry, Sue and Hewett Brown, David and Marian Shimp, Buford and Margaret Parrish, Doug and Jamie Parrish, Kent and Susan Kalmey, Charles Hebel, IV, David Osborne, Michael Gardner, and the Attorney General moved to intervene. The Commission granted their motions and established a procedural schedule providing for discovery, public hearing, and post-hearing briefs. Due to the number of intervenors and the complexity of issues involved, the Commission found that good cause existed to extend the review period to 90 days.

On May 15, 2002, Commission Staff met with representatives of Louisville Water and the intervenors to allow the parties an opportunity to resolve any outstanding issues.

prior to the evidentiary hearing. The informal conference reconvened on May 29, 2002, at which time the parties agreed to settle their dispute.

On May 30, 2002, the Attorney General filed with the Commission written notice that he would not object to a determination of the matter without a public hearing. The parties convened as scheduled on June 3, 2002. At that time, Commission Staff met with the parties in a formal conference to determine the necessity of moving forward with the evidentiary hearing. After discussion among those present, the evidentiary hearing was cancelled by mutual agreement and the formal conference was adjourned.

#### PROPOSED TRANSACTION

Louisville Water is a Kentucky corporation governed by the Board of Water Works, pursuant to KRS 96.230 through KRS 96.310. Louisville Water's present address and principal place of business is 550 South Third Street, Louisville, Kentucky 40202. Louisville Water currently provides water service to approximately 266,778 customers in Greater Louisville and certain areas in Oldham and Bullitt counties.<sup>1</sup> The company also provides water on a wholesale basis to West Shelby Water District, North Nelson Water District, North Shelby Water Company, Shepherdsville, Taylorsville, and Mount Washington.<sup>2</sup>

Goshen is a Kentucky corporation and wholly owned subsidiary of AquaSource Utilities, Inc. ("Aqua"), a Texas corporation. Goshen currently provides potable water to residential and business customers in Oldham County, Kentucky.

---

<sup>1</sup> Louisville Water's 2000 Annual Report.

<sup>2</sup> Id.

On March 11, 2002, Louisville Water and Aqua entered into a Stock Purchase Agreement, wherein Louisville Water agreed to purchase from Aqua all issued and outstanding stock of Goshen.<sup>3</sup> Louisville Water agreed to pay \$3,500,000 for the shares.<sup>4</sup> The purchase agreement is subject to certain conditions, one of which is approval by this Commission with respect to the transfer of ownership of Goshen to Louisville Water.

#### STATUTORY PROVISIONS

KRS 278.020(4) provides that no person may acquire or transfer control or ownership of a utility without prior approval by the Commission. The Commission will approve such a transfer if it determines that the acquirer has the financial, technical, and managerial abilities to provide reasonable service. The Commission must also determine that the acquisition is made in accordance with the law, for a proper purpose, and is consistent with the public interest. KRS 278.020(5). The Commission may grant an application upon terms and conditions it deems necessary to protect the public interest.

After careful consideration and deliberation, the Commission finds that Louisville Water meets the standards set forth in KRS Chapter 278. Louisville Water has provided sufficient evidence to support its assertion that it has the financial, technical, and managerial ability to provide reasonable service to Kentucky consumers.

Louisville Water has demonstrated the financial ability necessary to acquire Goshen and provide reasonable service to its customers. As of December 31, 2000,

---

<sup>3</sup> Section A, Stock Purchase Agreement.

<sup>4</sup> Id. at 2.

Louisville Water had utility plant of \$510,280,688; total assets of \$622,586,100; equity capital of \$273,398,799; and liabilities and other credits of \$349,187,301. For the year ending December 31, 2000, Louisville Water reported operating revenues of \$88,255,340 and net income of \$29,117,501.

Louisville Water has also demonstrated the technical and managerial ability necessary to provide reasonable service to Goshen customers. The company is capable of delivering more than 127 million gallons to customers on a daily basis and possesses the resources to conduct more than 108,000 water quality tests annually.<sup>5</sup> In addition, Louisville Water's management team has an established track record in the successful management and operation of water companies. Louisville Water's management expertise, together with its financial and technical resources, ensures that Goshen's customers will receive safe and reliable service.

During the formal conference, Louisville Water addressed the issue of customer deposits. Upon closing of the proposed acquisition, Goshen's customer deposit liability will transfer to Louisville Water. Louisville Water has stated its intention to operate Goshen as a wholly owned subsidiary for a period of approximately 2 years after the transfer. During that period Louisville Water will require deposits of new customers in the Goshen territory under the same rules governing the current deposits. After Goshen's operations are fully integrated into Louisville Water's operations, it is Louisville Water's intention either to refund those deposits or, if Louisville Water's customer deposit policy is reinstated, to hold the deposits in accordance with its policy.

---

<sup>5</sup> 2000 Annual Report.

Pursuant to KRS 278.460, Goshen remains responsible for the payment of accrued interest on its customer deposits up to the date of the transfer. The Commission notes that Goshen has not filed the 2001 annual report required to be filed with the Commission by March 31, 2002.

#### CONCLUSIONS

Louisville Water has provided sufficient evidence to prove that it has the financial, technical, and managerial ability to provide reasonable service to Kentucky customers. The proposed acquisition is made in accordance with law, does not violate any statutory prohibition, and is executed for a proper purpose. The Commission finds that the proposed acquisition is consistent with the public interest and that Louisville Water will maintain both the level and quality of service currently received by Goshen customers.

With regard to motions made early in this proceeding requesting the Commission to condition any approval of the acquisition on certain terms, the Commission has received indications that the parties have resolved their differences and finds that no further Commission action is necessary.

The Commission, having reviewed the evidence of record and having been otherwise sufficiently advised, HEREBY ORDERS that:

1. The application for the approval of Louisville Water's acquisition of Goshen is approved.
2. Within 10 days of the date of this Order, Goshen shall file with the Commission its 2001 annual report.
3. Within 30 days of the date of this Order, Goshen shall file an annual report for that portion of 2002 that it owned and operated the water distribution system.

4. Within 10 days of the date of the transfer, Goshen shall file verification that accrued interest has been paid on its customer deposits up to the date of the transfer.

Done at Frankfort, Kentucky, this 13th day of June, 2002.

By the Commission

ATTEST:

A handwritten signature in cursive script, appearing to read "Chancellor-Dan", written over a horizontal line.

Executive Director



# PUBLIC NOTICE

FEDERAL COMMUNICATIONS COMMISSION  
445 12th Street, S.W., TW-A325  
Washington, DC 20554

News Media Information (202) 418-0500  
Fax-On-Demand (202) 418-2830  
Internet: <http://www.fcc.gov>  
<ftp.fcc.gov>

---

**Report Number: 1284**

**Date of Report: 09/11/2002**

---

**Wireless Telecommunications Bureau  
Assignment of Authorization and Transfer of Control Applications  
Action**

**32054**

This Public Notice contains a listing of applications that have been acted upon by the Commission.

Purpose	File Number	Parties	Action Date	Action
AA	0000752469	<b>Assignor:</b> Cook Illinois Corporation DBA Chicago School Transit <b>Assignee:</b> Nextel License Holdings 4, Inc	09/06/2002	M

**Full Assignment**

**Call Sign or Lead Call Sign:** WPTE249

**Radio Service Code(s)**

GB

AM	0000764394	<b>Assignor:</b> Police Emergency Radio Services, Inc. <b>Assignee:</b> Digi Link Technologies, Inc.	09/05/2002	C
----	------------	---	------------	---

**Full Assignment**

**Call Sign or Lead Call Sign:** WPOK936

**Radio Service Code(s)**

QA



Purpose	File Number	Parties	Action Date	Action
TC	0000984329	<b>Licensee:</b> Goshen Utilities, Inc. <b>Transferor:</b> AquaSource <b>Transferee:</b> Louisville Water Company	09/05/2002	M

**Transfer of Control**

**Call Sign or Lead Call Sign:** WPQS294

**Radio Service Code(s)**

IG

MG

AA	0000990574	<b>Assignor:</b> J.B. COMMUNICATIONS, INC. <b>Assignee:</b> A BEEP LLC	09/06/2002	M
----	------------	---	------------	---

**Full Assignment**

**Call Sign or Lead Call Sign:** KRN402

**Radio Service Code(s)**

IG

YG

AA	0000998527	<b>Assignor:</b> STC License Company <b>Assignee:</b> WDTN Broadcasting, LLC	09/05/2002	C
----	------------	---	------------	---

**Full Assignment**

**Call Sign or Lead Call Sign:** WPOU230

**Radio Service Code(s)**

IG

MG

AA	0001000853	<b>Assignor:</b> ENGINEERED CARBONS INC <b>Assignee:</b> DEGUSSA ENGINEERED CARBONS LP	09/04/2002	C
----	------------	---	------------	---

**Full Assignment**

**Call Sign or Lead Call Sign:** KTL407

**Radio Service Code(s)**

IG

MG

**Purpose Key:**

AA	Assignment of Authorization
AM	Amendment of AA or TC
TC	Transfer of Control
WD	Withdrawal

**Action Key:**

C	Consented	P	Returned to pending
D	Dismissed	R	Returned
G	Granted (Forbearance)	T	Terminated
K	Killed	W	Withdrawn
M	Consummated		

**Radio Service Key:**

AA	Aviation Auxiliary Group	MG	Microwave Industrial/Business Pool
AB	Aural Microwave Booster	MK	Alaska Group
AF	Aeronautical and Fixed	MR	Marine Radiolocation Land
AI	Aural Intercity Relay	MW	Microwave Public Safety Pool
AR	Aviation Radionavigation	NC	Nationwide Commercial 5 Channel, 220 MHz
AS	Aural Studio Transmitter Link	PC	Public Coast Stations, Auctioned
CA	Commercial Air-ground Radiotelephone	PE	Digital Electronic Message Service - Private
CB	BETRS	PW	Public Safety Pool, Conventional
CD	Paging and Radiotelephone	QA	220-222 MHz Band Auction
CE	Digital Electronic Message Service	QD	Non-Nationwide Data, 220 MHz
CF	Point to Point Microwave	QM	Non-Nationwide Public Safety/Mutual Aid, 220 MHz
CG	Air-ground Radiotelephone	QO	Non-Nationwide Other, 220 MHz
CL	Cellular	QT	Non-Nationwide 5 Channel Trunked, 220 MHz
CN	PCS Narrowband	RP	Broadcast Auxiliary Remote Pickup
CO	Offshore Radiotelephone	RS	Land Mobile Radiolocation
CR	Rural Radiotelephone	TB	TV Microwave Booster
CT	Local Television Transmission	TI	TV Intercity Relay
CW	PCS Broadband	TN	39 GHz, Auctioned
CZ	Paging and Radiotelephone, Auctioned	TP	TV Pickup
GA	Public Safety/Spec Emerg, 896-901/935-940 MHz, Conv.	TS	TV Studio Transmitter Link
GB	Business, 806-821/851-866 MHz, Conventional	TT	TV Translator Relay
GC	929-930 MHz Paging Systems, Auction	WA	Microwave Aviation
GF	Public Safety Ntl Plan, 821-824/866-869 MHz, Conv.	WM	Microwave Marine
GI	Other Indust/Land Transp, 896-901/935-940 MHz, Conv.	WR	Microwave Radiolocation
GO	Other Indust/Land Transp, 806-821/851-866 MHz, Conv.	WS	Wireless Communications Service
GP	Public Safety/Spec Emerg, 806-821/851-866 MHz, Conv.	YA	Public Safety/Spec Emerg, 896-901/935-940 MHz, Trunked
GR	SMR, 896-901/935-940 MHz, Conventional	YB	Business, 806-821/851-866 MHz, Trunked
GS	Private Carrier Paging, 929-930 MHz	YC	SMR, 806-821/851-866 MHz, Trunked, Auctioned
GU	Business, 896-901/935-940 MHz, Conventional	YD	SMR, 896-901/935-940 MHz, Auctioned
GW	General Wireless Communications Service	YF	Public Safety Ntl Plan, 821-824/866-869 MHz, Trunked
GX	SMR, 806-821/851-866 MHz, Conventional	YG	Industrial/Business Pool, Trunked
IG	Industrial/Business Pool, Conventional	YI	Other Indust/Land Transp 896-901/935-940 MHz, Trunked
IK	Industrial/Business Pool - Commercial, Conventional	YK	Industrial/Business Pool - Commercial, Trunked
LD	Local Multipoint Distribution Service	YO	Other Indust/Land Transp 806-821/851-866 MHz, Trunked
LN	902-928 MHz Location Narrowband (Non-Multilateration)	YP	Public Safety/Spec Emerg, 806-821/851-866 MHz, Trunked
LP	Broadcast Auxiliary Low Power	YS	SMR, 896-901/935-940 MHz, Trunked
LS	Location and Monitoring Service, Multilateration (LMS)	YU	Business, 896-901/935-940 MHz, Trunked
LW	902-928 MHz Location Wideband (Grandfathered AVM)	YW	Public Safety Pool, Trunked
MA	Marine Auxiliary Group	YX	SMR, 806-821/851-866 MHz, Trunked
MC	Coastal Group	ZV	Interactive Video and Data Service



# PUBLIC NOTICE

FEDERAL COMMUNICATIONS COMMISSION  
445 12th Street, S.W., TW-A325  
Washington, DC 20554

News Media Information (202) 418-0500  
Fax-On-Demand (202) 418-2830  
Internet: <http://www.fcc.gov>  
<ftp.fcc.gov>

---

**Report Number: 1272**

**Date of Report: 08/28/2002**

---

**Wireless Telecommunications Bureau  
Assignment of Authorization and Transfer of Control Applications  
Action**

**31861**

This Public Notice contains a listing of applications that have been acted upon by the Commission.

Purpose	File Number	Parties	Action Date	Action
AA	0000424129	<b>Assignor:</b> PFEIFER, MARGARET <b>Assignee:</b> North Plains Communications	08/23/2002	M

**Full Assignment**

**Call Sign or Lead Call Sign:** KNRS263

**Radio Service Code(s)**

YX

AA	0000433166	<b>Assignor:</b> LANGTON, NELDA <b>Assignee:</b> North Plains Communications	08/23/2002	M
----	------------	---	------------	---

**Full Assignment**

**Call Sign or Lead Call Sign:** KNRS543

**Radio Service Code(s)**

YX

Purpose	File Number	Parties	Action Date	Action
TC	0000983211	<b>Licensee:</b> Wisvest Connecticut, LLC <b>Transferor:</b> Wisvest Connecticut, LLC <b>Transferee:</b> PSEG Fossil, LLC	08/20/2002	C

**Transfer of Control**

**Call Sign or Lead Call Sign:** WPRF757

**Radio Service Code(s)**

IG

MC

TC	0000984329	<b>Licensee:</b> Goshen Utilities, Inc. <b>Transferor:</b> AquaSource <b>Transferee:</b> Louisville Water Company	08/20/2002	C
----	------------	---	------------	---

**Transfer of Control**

**Call Sign or Lead Call Sign:** WPQS294

**Radio Service Code(s)**

IG

MG

AA	0000988086	<b>Assignor:</b> Transcontinental Gas Pipeline Corporation <b>Assignee:</b> Cove Point LNG Limited Partnership	08/20/2002	C
----	------------	---	------------	---

**Full Assignment**

**Call Sign or Lead Call Sign:** KIX882

**Radio Service Code(s)**

IG

MC

AM	0000924780	<b>Assignor:</b> Mobex Idaho Inc. <b>Assignee:</b> CTA LLC	08/21/2002	C
----	------------	---	------------	---

**Full Assignment**

**Call Sign or Lead Call Sign:** WLU625

**Radio Service Code(s)**

CD

CF

MG

**OFFICER'S CERTIFICATE  
OF  
AQUASOURCE UTILITY, INC.**

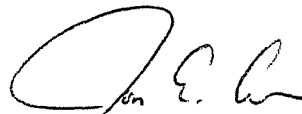
The undersigned, Jon E. Evans, hereby certifies that he is the Vice President and General Counsel of AquaSource Utility, Inc., a Texas corporation ("Seller"), and further certifies that:

1. This Officer's Certificate is delivered pursuant to Section 7.1(c) of that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and Seller, as amended by that certain First Amendment to Stock Purchase Agreement dated as of the date hereof (the "Purchase Agreement").

2. Each of the representations and warranties of Seller contained in the Purchase Agreement is true and correct in all material respects on and as of the date hereof, as though made on and as of the date hereof, except for such representations or warranties which were made as of a specified date, in which case such representations and warranties were true and correct in all material respects as of such specified dates.

3. Seller has performed or complied with all agreements and covenants required by the Purchase Agreement to be performed or complied with by it on or prior to the date hereof.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Officer's Certificate as of July 31, 2002.

A handwritten signature in black ink, appearing to read "Jon E. Evans", is written over a horizontal line.

Jon E. Evans, Vice President and  
General Counsel

## LOUISVILLE WATER COMPANY

### Certificate of Buyer

I, John L. Huber, President of Louisville Water Company, a municipally owned corporation governed by the Board of Water Works pursuant to KRS 96.230 through 96.310 (the "Company"), pursuant to Section 7.2(c) of the Stock Purchase Agreement, dated as of March 11, 2002 (the "Purchase Agreement") between the Company and AquaSource Utility, Inc, a Texas corporation, in my capacity as President of the Company and not in my individual capacity, hereby certify that:

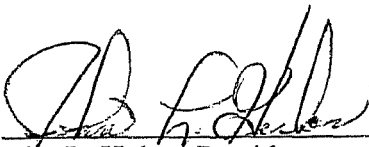
(a) Each of the representations and warranties of the Company contained in the Purchase Agreement is true and correct in all material respects on and as of the date hereof, as though made on and as of the date hereof, except for such representations or warranties which were made as of a specified date, in which case such representations and warranties were true and correct in all materials respects as of such specified dates; and

(b) The Company has performed or complied with all agreements and covenants required by the Purchase Agreement to be performed or complied with by it on or prior to the date hereof.

IN WITNESS WHEREOF, I have hereunto signed my name as President of the Company.

Dated: July 31, 2002

LOUISVILLE WATER COMPANY

By:   
John L. Huber, President

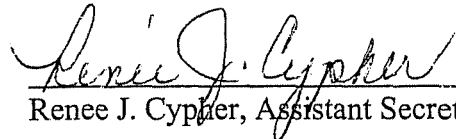
**ASSISTANT SECRETARY'S CERTIFICATE  
OF  
AQUASOURCE UTILITY, INC.**

The undersigned, Renee J. Cypher, hereby certifies that she is an Assistant Secretary of AquaSource Utility, Inc., a Texas corporation ("Seller"), and further certifies that:

1. This Assistant Secretary's Certificate is delivered pursuant to Section 7.1(d) of that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and Seller, as amended by that certain First Amendment to Stock Purchase Agreement dated as of the date hereof.

2. Attached hereto as Annex A is a true and correct copy of resolutions duly adopted by the board of directors of Seller on January 21, 2002, all of such resolutions being in full force and effect on the date hereof.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Assistant Secretary's Certificate as of July 31, 2002.

  
\_\_\_\_\_  
Renee J. Cypher, Assistant Secretary

Resolutions Adopted by Board of Directors  
of  
AquaSource Utility, Inc.

WHEREAS, the Company desires to sell to Louisville Water Company (“Purchaser”) all of the issued and outstanding shares of capital stock of Goshen Utilities, Inc. (“Goshen”), a wholly owned subsidiary of the Company (the “Stock Sale”); and

WHEREAS, Goshen owns and operates a water and wastewater system located in Oldham County, Kentucky; and

WHEREAS, Goshen currently has pending the sale of its wastewater system to Oldham County Sanitation District, and the consummation of such sale will be a condition precedent to the Stock Sale; and

WHEREAS, the aggregate consideration payable to the Company in connection with the Stock Sale will be approximately \$3,500,000 in cash.

NOW, THEREFORE, BE IT RESOLVED, that the Stock Sale is hereby approved and ratified in all respects; and

FURTHER RESOLVED, that the President, any Vice President and the Secretary of the Company (collectively, the “Authorized Officers”), and each of them, are hereby authorized and directed to execute and deliver, on behalf of the Company, a Stock Purchase Agreement between the Company and Purchaser relating to the Stock Sale (the “Purchase Agreement”), in the form, and with such changes therein, as such Authorized Officer(s) may approve, such approval to be conclusively evidenced by such execution; and



FURTHER RESOLVED, that the Authorized Officers, and each of them, are hereby authorized and directed (i) to consummate, on behalf of the Company, all of the transactions contemplated by the Purchase Agreement; (ii) to execute, deliver and file, on behalf of the Company, any and all such other agreements and instruments contemplated by the Purchase Agreement, including without limitation stock powers (each in the form, and with such changes therein, as such Authorized Officer(s) may approve, such approval to be conclusively evidenced by such execution); (iii) to perform, on behalf of the Company, such other acts as may be necessary, appropriate or desirable in order to permit the Company to perform its obligations and derive its benefits under the Purchase Agreement; and (iv) to carry out the purposes and intent of the Purchase Agreement and each of the agreements and instruments contemplated thereby, all as determined by such Authorized Officer(s) in his, her or their discretion, such determination to be conclusively evidenced by such execution or other act; and

FURTHER RESOLVED, that the actions of the officers of the Company undertaken on behalf of the Company in connection with the transactions described in the Purchase Agreement are hereby approved, adopted and ratified in all respects; and

FURTHER RESOLVED, that the Authorized Officers, and each of them, are hereby authorized and empowered, on behalf of the Company, to perform all other acts and things, and to execute, deliver and file all documents and instruments, as such Authorized Officer(s) may deem necessary or desirable, in their discretion, to carry out the foregoing recitals and resolutions.

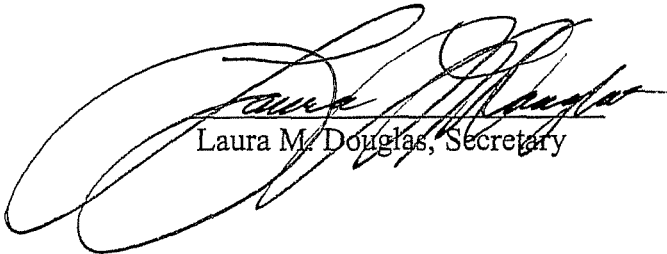
**LOUISVILLE WATER COMPANY**

*Secretary's Certificate*

I, Laura M. Douglas, certify that I am the duly elected, qualified and acting secretary of Louisville Water Company, a municipally owned Company governed by the Board of Water Works pursuant to KRS 96.230 through 96.310 (the "Company"), and that as such officer I maintain the corporate books and records. I further certify as follows:

1. Attached hereto as Exhibit A is a true, correct and complete copy of resolutions duly adopted by the Board of Directors of the Company. Such resolutions are the only resolutions adopted by the Board of Directors of the Company relating to the Company's purchase of all of the common stock of Goshen Utilities, Inc., a Kentucky corporation, and have not been amended, rescinded, annulled or revoked and are in full force and effect on the date of this Certificate.

IN WITNESS WHEREOF, I have executed this Certificate this 31st day of July, 2002.

  
Laura M. Douglas, Secretary

## **EXHIBIT A**

### **RESOLUTIONS OF THE BOARD OF DIRECTORS OF LOUISVILLE WATER COMPANY**

**WHEREAS**, The Louisville Water Company (LWC) executed a Letter of Intent with AquaSource, Inc. (AquaSource), dated March 9, 2001, which document described the intent of LWC and AquaSource to execute a Stock Purchase Agreement for LWC's acquisition of the stock of Goshen Utilities, Inc. (Stock Purchase Agreement);

**WHEREAS**, LWC and AquaSource engaged in good faith negotiations to fully determine the terms and conditions of the Stock Purchase Agreement, and, in March 2002, LWC and AquaSource executed the Stock Purchase Agreement;

**WHEREAS**, in March 2002, LWC filed its Verified Application with the Kentucky Public Service Commission (PSC) seeking the PSC's approval of the Stock Purchase Agreement;

**WHEREAS**, in June, 2002, the PSC approved the Stock Purchase Agreement between LWC and AquaSource; and

**WHEREAS**, the Board of Water Works is desirous of vesting the President of LWC with full authority to close on the Stock Purchase Agreement, having previously vested the President of LWC with full authority to negotiate and execute the Stock Purchase Agreement;

**BE IT RESOLVED** that the Board of Water Works hereby vests the President, John L. Huber, with full authority to perform or cause to be performed any and all acts and to execute or cause to be executed any and all documents that may be required to close on the stock purchase agreement between LWC and AquaSource for LWC's acquisition of the stock of Goshen Utilities, Inc.

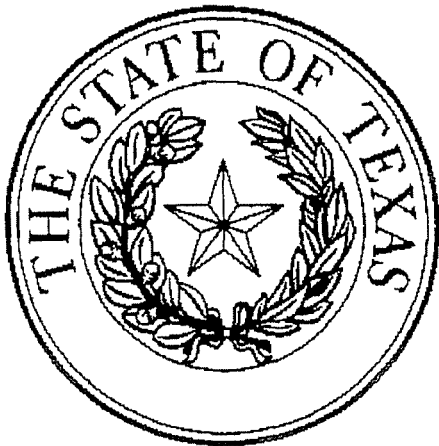


## Office of the Secretary of State

The undersigned, as Secretary of State of Texas, does hereby certify that the document, Articles Of Incorporation for AQUASOURCE UTILITY, INC. (filing number: 147005600), a Domestic Business Corporation, was filed in this office on December 08, 1997.

**It is further certified that the entity status in Texas is active.**

In testimony whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on July 30, 2002.



A handwritten signature in cursive script that reads "Gwyn Shea".

Gwyn Shea  
Secretary of State



**TEXAS COMPTROLLER OF PUBLIC ACCOUNTS**  
CAROLE KEETON RYLANDER • COMPTROLLER • AUSTIN, TEXAS 78774

July 30, 2002

**CERTIFICATE OF ACCOUNT STATUS**

THE STATE OF TEXAS  
COUNTY OF TRAVIS

I, Carole Keeton Rylander, Comptroller of Public Accounts of the State of Texas  
DO HEREBY CERTIFY that according to the records of this office

AQUASOURCE UTILITY INC

is, as of this date, in good standing with this office having no franchise  
tax reports or payments due at this time. This certificate is valid through  
the date that the next franchise tax report will be due August 15, 2002.

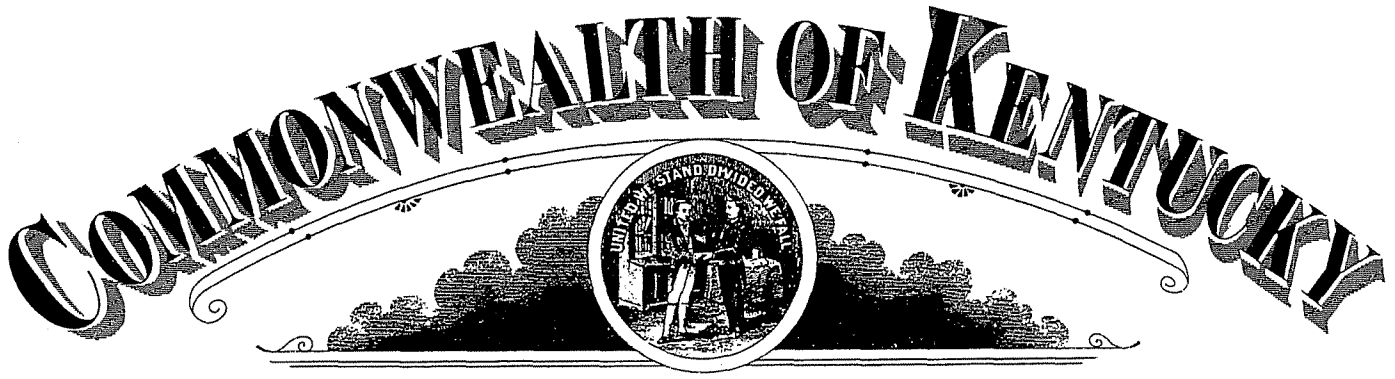
This certificate is valid for the purpose of conversion when the converted  
entity is subject to franchise tax as required by law. This certificate is  
not valid for the purpose of dissolution, merger or withdrawal.

GIVEN UNDER MY HAND AND  
SEAL OF OFFICE in the City of  
Austin, this 30th day of  
July, 2002 A.D.

A handwritten signature in cursive script that reads "Carole Keeton Rylander".

CAROLE KEETON RYLANDER  
Comptroller of Public Accounts

Taxpayer number: 32000316797  
File number: 0147005600



**John Y. Brown III**  
**Secretary of State**

**Certificate of Existence**

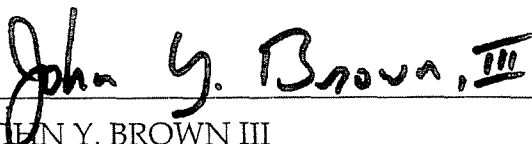
I, John Y. Brown III, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

**GOSHEN UTILITIES, INC.**

is a corporation duly organized and existing under KRS Chapter 271B, whose date of incorporation is December 3, 1981 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that articles of dissolution have not been filed; and that the most recent annual report required by KRS 271B.16-220 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 30<sup>th</sup> day of July, 2002.

  
JOHN Y. BROWN III  
Secretary of State  
Commonwealth of Kentucky  
jschwartz/0162201



**John Y. Brown III**  
**Secretary of State**

**Certificate of Existence**

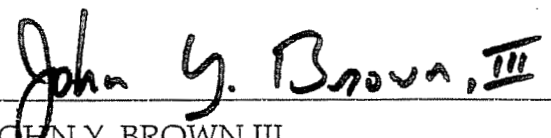
I, John Y. Brown III, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

**LOUISVILLE WATER COMPANY**

is a corporation duly organized and existing under KRS Chapter 271B, whose date of incorporation is March 6, 1854 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that articles of dissolution have not been filed; and that the most recent annual report required by KRS 271B.16-220 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 22<sup>nd</sup> day of July, 2002.

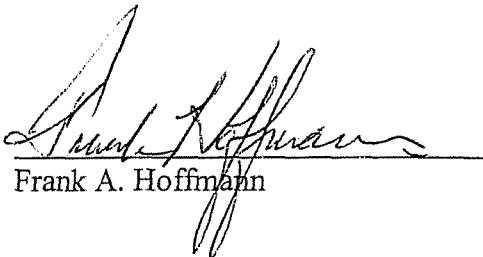
  
JOHN Y. BROWN III  
Secretary of State  
Commonwealth of Kentucky  
jschwartz/0032527

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Frank A. Hoffmann, do hereby resign as Director and President of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002



Frank A. Hoffmann

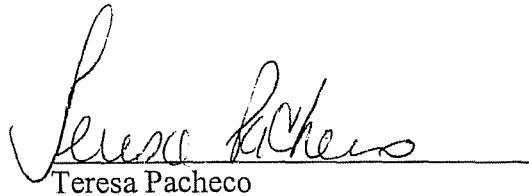


## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Teresa Pacheco, do hereby resign as Assistant Secretary of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002



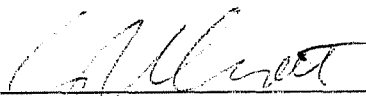
Teresa Pacheco

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Anthony J. Villiotti, do hereby resign as Vice President and Chief Financial Officer of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002

  
\_\_\_\_\_  
Anthony J. Villiotti

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Martin J. Stanek, do hereby resign as Vice President-Administration and Secretary of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002


  
\_\_\_\_\_  
Martin J. Stanek

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Jon E. Evans, do hereby resign as Vice President and General Counsel of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002


  
\_\_\_\_\_  
Jon E. Evans

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Kimon G. Pandapas, do hereby resign as Vice President-Business Development of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002

  
\_\_\_\_\_  
Kimon G. Pandapas



11100 Brittmoore Park Drive  
Houston, Texas 77041

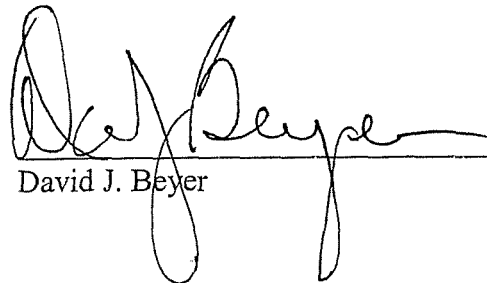
713-983-3000  
713-983-3700 (fax)

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, David J. Beyer, do hereby resign as Executive Vice President-Texas of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002



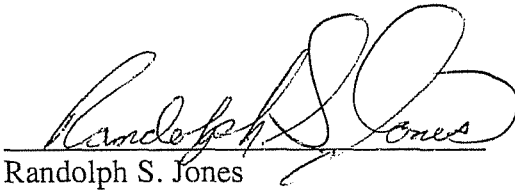
David J. Beyer

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Randolph S. Jones, do hereby resign as Executive Vice President-Central Region of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002

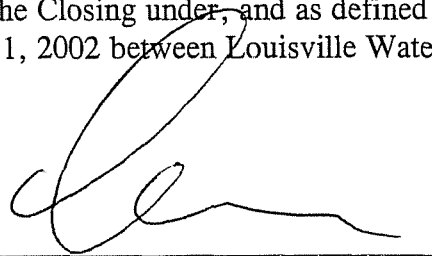
  
Randolph S. Jones

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Kevin T. Read, do hereby resign as Vice President-Northeast Region of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002

A handwritten signature in black ink, appearing to be 'Kevin T. Read', written over a horizontal line.

Kevin T. Read

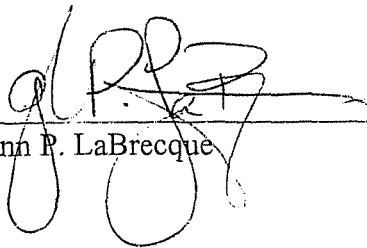


## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Glenn P. LaBrecque, do hereby resign as Vice President-Southeast Region of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002

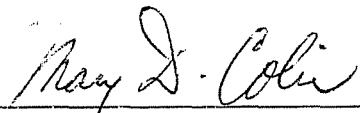
  
\_\_\_\_\_  
Glenn P. LaBrecque

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Mary D. Colin, do hereby resign as Treasurer of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002

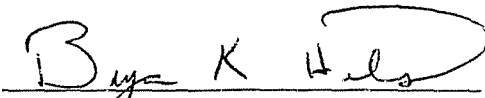
  
\_\_\_\_\_  
Mary D. Colin

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Bryan K. Hiles, do hereby resign as Controller of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002

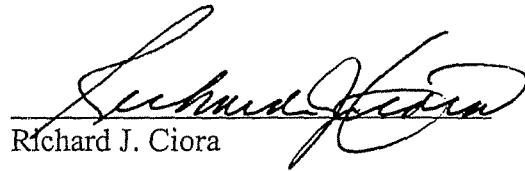
  
Bryan K. Hiles

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Richard J. Ciora, do hereby resign as Assistant Treasurer of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002

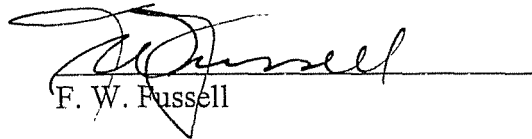
  
Richard J. Ciora

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, F. W. Fussell, do hereby resign as Vice President-Real Estate of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002




F. W. Fussell

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Stephen R. Tolliver, do hereby resign as Vice President-Operations-Central Region of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002

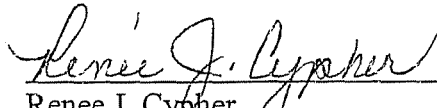
  
Stephen R. Tolliver

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Renee J. Cypher, do hereby resign as Assistant Secretary of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002

  
Renee J. Cypher



11100 Brittmoore Park Drive  
Houston, Texas 77041

713-983-3000  
713-983-3700 (fax)

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Shelley Kirk, do hereby resign as Assistant Secretary of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002

Shelley Kirk  
Shelley Kirk

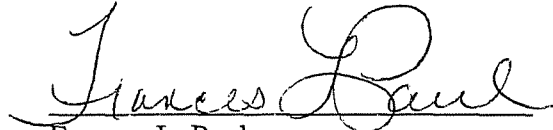


## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Frances L. Paul, do hereby resign as Assistant Secretary of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002



Frances L. Paul

## RESIGNATION

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Julie I. Avins, do hereby resign as Assistant Secretary of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002



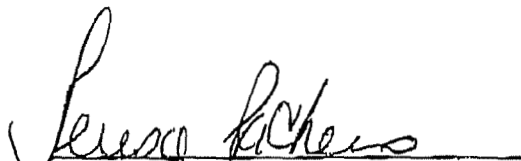
Julie I. Avins

**RESIGNATION**

To the Shareholder and Director of Goshen Utilities, Inc.:

I, Teresa Pacheco, do hereby resign as Assistant Secretary of Goshen Utilities, Inc., a Kentucky corporation (the "Company"), and do hereby resign further from any and all other offices and positions held by me in and for the Company. My resignation shall be effective immediately upon consummation of the Closing under, and as defined in, that certain Stock Purchase Agreement dated as of March 11, 2002 between Louisville Water Company and the Company.

Dated: July 31, 2002

  
Teresa Pacheco

## **CLOSING STATEMENT**

**Stock Purchase Agreement  
dated as of March 11, 2002**

**Between  
AquaSource Utility, Inc.  
and  
Louisville Water Company**

July 31, 2002

Purchase Price	\$3,500,000.00	
Adjustments:		
Proceeds of Loan for Permitted Debt	<u>114,863.36</u>	(1)
Total Due to Seller at Closing	<u>\$3,614,863.36</u>	(2)

Notes: (1) Pursuant to Section 5.12(b) of Stock Purchase Agreement.

(2) To be wired in accordance with Annex A hereto.

IN WITNESS WHEREOF, this Closing Statement has been duly executed and delivered as of the date first written above.

AQUASOURCE UTILITY, INC.

By: Jon E. Gorn  
Title: VICE PRESIDENT

LOUISVILLE WATER COMPANY

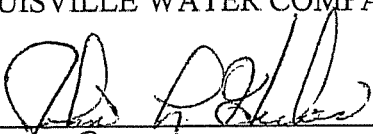
By: \_\_\_\_\_  
Title: \_\_\_\_\_

IN WITNESS WHEREOF, this Closing Statement has been duly executed and delivered  
as of the date first written above.

AQUASOURCE UTILITY, INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

LOUISVILLE WATER COMPANY

By:  \_\_\_\_\_  
Title: President