

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CORINTH WATER DISTRICT)	
_____)	CASE NO.
)	2013-00187
ALLEGED FAILURE TO COMPLY WITH KRS)	
278.300)	

ORDER

Corinth Water District ("Corinth District"), a water district organized pursuant to KRS Chapter 74, owns and operates water distribution facilities that serve approximately 1,163 customers in Grant, Harrison, and Pendleton counties, Kentucky.¹ It is a utility subject to the Commission's jurisdiction.²

On May 21, 2013, the Commission entered an Order establishing this case to determine whether Corinth District failed to comply with the provisions of KRS 278.300(1) when Corinth District Commissioners Dan Field, Donnie Dyer, and Robert McDaniel authorized Corinth District to enter into a Land Contract and Lease Agreement with the city of Corinth, Kentucky, on November 13, 2012. The Land Contract obligated Corinth District to purchase an office building from the city of Corinth and to pay for the purchase over a period of 60 months. Dan Field, Donnie Dyer, and Robert McDaniel continue to serve on Corinth District's Board of Commissioners.

¹ Annual Report of Corinth Water District to the Public Service Commission for the Calendar Year Ended December 31, 2011 at 5, 27.

² KRS 278.015.

Corinth District and Commission Staff entered into negotiations to resolve all outstanding issues and held an informal conference on July 11, 2013. On September 18, 2013, a Settlement Agreement was executed and is attached hereto as the Appendix. Pursuant to the terms of the Settlement Agreement, Corinth District Commissioners Dan Field, Donnie Dyer, and Robert McDaniel agreed that through their action Corinth District entered into a Land Contract and Lease Agreement that obligated Corinth District to a 60-month financing arrangement with the city of Corinth. Dan Field, Donnie Dyer, and Robert McDaniel agreed that the Land Contract is an evidence of indebtedness that required prior Commission approval before its execution, and the failure to receive authorization violated KRS 278.300. In complete resolution of the issues raised, Dan Field, Donnie Dyer, and Robert McDaniel agreed to each, individually, pay a civil penalty in the amount of \$250.00.

In reviewing the Settlement Agreement, the Commission has considered, *inter alia*, the circumstances surrounding the alleged violation and the extent to which each party was responsible for the violation. Based on the evidence of record, the Commission finds that the Settlement Agreement is in accordance with the law, does not violate any regulatory principle, results in a reasonable resolution of this case, and is in the public interest. In accepting the Settlement Agreement, the Commission notes that the Corinth District Commissioners elected to pay a civil penalty in lieu of attending an accredited water district management training program. Those programs cover a wide variety of issues related to the operations of water utilities, including a review of the applicable statutes and regulations. Thus, attending a water district management training program could be beneficial to Corinth District. For that reason the Commission

finds that Corinth District should select a representative of the water district to attend an accredited water district management training program within the next 12 months.

IT IS THEREFORE ORDERED that:

1. The terms of the Settlement Agreement are incorporated into this Order as if fully set forth herein.

2. Corinth District shall select a representative to attend six hours of accredited water district management training, and the representative shall complete such training within 12 months of the date of this Order.

3. Corinth District shall provide documentation of the designated water district representative's attendance at an accredited water district management training program within 30 days of completion.

4. Corinth District Commissioners Dan Field, Donnie Dyer, and Robert McDaniel shall each pay a civil penalty in the amount of \$250.00 within 30 days of the date of this Order by cashier's check or money order made payable to the Kentucky State Treasurer and mailed to the Office of General Counsel, Public Service Commission, 211 Sower Boulevard, P. O. Box 615, Frankfort, KY 40602. The penalty payments shall not be reimbursed by Corinth District.

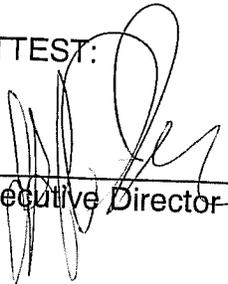
5. Upon payment by Dan Field, Donnie Dyer, and Robert McDaniel, this case shall be closed and removed from the Commission's docket without further order of the Commission.

6. Any documents filed pursuant to ordering paragraph 3 shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission

ENTERED *W*
OCT 21 2013
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2013-00187

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2013-00187 DATED **OCT 21 2013**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 28 2013
PUBLIC SERVICE
COMMISSION

In the Matter of:

CORINTH WATER DISTRICT'S ALLEGED) CASE NO.
FAILURE TO COMPLY WITH KRS 278.300) 2013-00187

JOINT STIPULATION OF FACTS AND SETTLEMENT AGREEMENT

This Stipulation of Facts and Settlement Agreement ("Settlement Agreement") is made and entered into between Corinth Water District ("Corinth District"), Corinth District Commissioners Dan Field, Donnie Dyer and Robert McDaniel and the Staff of the Public Service Commission ("Commission Staff").

WITNESSETH:

WHEREAS, Corinth District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that treat and distribute water to the public for compensation in Grant, Harrison and Pendleton Counties, Kentucky;

WHEREAS, Corinth District is a utility subject to the Commission's jurisdiction;

WHEREAS, KRS 278.300(1) provides that "[n]o utility shall issue any securities or evidences of indebtedness . . . until it has been authorized so to do by order of the [C]ommission;"

WHEREAS, KRS 278.990(1) provides for the imposition of penalties for willful violations of Chapter 278 of the Kentucky Revised Statutes;

WHEREAS, Corinth District, Dan Field, Donnie Dyer, Robert McDaniel and Commission Staff stipulate as follows:

1. On or about November 13, 2012, Corinth District entered into two agreements with the City of Corinth (the "City").
2. The first, a Land Contract¹ memorializes the purchase of real estate located at 215 Thomas Lane, Corinth, Kentucky by Corinth District from the City.
3. Corinth District agreed to pay the City the total sum of \$69,000 for the property.
4. Corinth District agreed to remit to the City a down payment in the amount of \$15,000 and \$900 per month thereafter for a total term of sixty months.
5. Contemporaneously with the Land Contract, Corinth District and the City signed a Lease Agreement.²
6. The Lease Agreement requires Corinth District to lease the aforesaid real estate, for services in lieu of rent, to the City for a term of ninety-nine years.
7. At the time the Land Contract and Lease Agreement were entered into and continuing through the date of signing this Settlement Agreement, Dan Field, Donnie Dyer and Robert McDaniel served as members of Corinth District's Board of Commissioners.
8. Dan Field, Donnie Dyer and Robert McDaniel were parties to and authorized entry of Corinth District into the Land Contract and Lease Agreement.

¹ Ex. A.

² Ex. B.

9. In January of 2013, Corinth District informed Commission Staff of the agreements.³

10. By Order issued May 21, 2013, the Commission initiated this proceeding to determine whether Corinth District violated KRS 278.300(1).

11. KRS 278.300(1) requires a utility to obtain the Commission's approval prior to issuing an evidence of indebtedness.

12. Corinth District has a duty to comply with the provisions of Chapter 278 of the Kentucky Revised Statutes.

13. The Land Contract is an evidence of indebtedness as defined by KRS 278.300.

14. Corinth District willfully violated KRS 278.300.

15. Corinth District Commissioners Dan Field, Donnie Dyer and Robert McDaniel willfully aided and abetted Corinth District's violation of KRS 278.300.

WHEREAS, Corinth District, Dan Field, Donnie Dyer, Robert McDaniel and Commission Staff desire to settle the issues raised and have entered into this Settlement Agreement through compromise.

WHEREAS, Commission Staff presented alternative options for sanctions in the form of a monetary penalty to be paid by each of Corinth District's Commissioners or their attendance at six (6) hours of approved water district training, and Corinth District, Dan Field, Donnie Dyer and Robert McDaniel elected a monetary penalty to be paid by each Commissioner.

³ Ex. C.

NOW, THEREFORE, Corinth District, Dan Field, Donnie Dyer, Robert McDaniel and Commission Staff agree as follows:

1. Corinth District Commissioners Dan Field, Donnie Dyer and Robert McDaniel agree to submit to the jurisdiction of the Commission and shall be bound by an Order from the Commission in this matter.
2. In satisfaction and resolution of all violations arising out of the Land Contract and Lease Agreement, Corinth District Commissioners Dan Field, Donnie Dyer and Robert McDaniel shall each, individually and personally, submit to the Commonwealth of Kentucky the sum of two hundred and fifty dollars (\$250) within 30 days after entry of an Order approving this Settlement Agreement.
3. All payments shall be in the form of cashier's checks or certified checks made payable to "Treasurer, Commonwealth of Kentucky" and shall be mailed or delivered to: Office of General Counsel, Public Service Commission of Kentucky, 211 Sower Boulevard, Frankfort Kentucky 40602.
4. This Settlement Agreement is subject to the acceptance of and approval by the Public Service Commission.
5. If the Public Service Commission declines to accept and approve this Settlement Agreement in its entirety, neither the terms of this Settlement Agreement, nor any issues raised during settlement negotiations shall be binding on any signatory or be construed against Corinth District, Dan Field, Donnie Dyer, Robert McDaniel or Commission Staff.

6. Commission Staff shall recommend to the Public Service Commission that this Settlement Agreement be accepted and approved.
7. If the Public Service Commission accepts and adopts this Settlement Agreement in its entirety and enters an Order to that effect, Corinth District, Dan Field, Donnie Dyer and Robert McDaniel shall not apply for rehearing in this matter nor bring any action for judicial review of that Order.

IN WITNESS WHEREOF, Corinth District, Corinth District Commissioners Dan Field, Donnie Dyer, Robert McDaniel and Commission Staff have executed this Settlement Agreement by and through their duly authorized attorneys.

STAFF OF PUBLIC SERVICE COMMISSION
OF KENTUCKY

BY: *Justin Dyer*
Title: *Staff Attorney II*
Date: *9/16/13*

CORINTH WATER DISTRICT

BY: *Donnie Dyer*
Title: *Chair*
Date: *8/7/13*

BY: *Donnie Dyer*
Title: *Chair*
Date: *8/7/13*

BY: Robert M. D. O.

Title: Secretary

Date: 8/7/13

BY: _____

Title: _____

Date: _____

BY: 

Title: ATTORNEY

Date: 9/13/13

BY: _____

Title: _____

Date: _____

Exhibit A

LAND CONTRACT

THIS LAND CONTRACT, now made and executed by and between: **CITY OF CORINTH, KENTUCKY**, a municipality within the State of Kentucky, of 215 Thomas Lane, Corinth, Kentucky 41010, herein referred to as **SELLER**, and **CORINTH WATER DISTRICT**, a public utility, of 215 Thomas Lane, Corinth, Kentucky, herein referred to as **BUYER**.

WITNESSETH:

That in consideration of the mutual promises of the parties contained in this **LAND CONTRACT**, which represents the sole, final and exclusive agreement between the parties, the **SELLER** agree to sell and convey to the **BUYER**, in fee simple, to the survivor of them, their heirs and assigns forever, and the **BUYER** agrees to purchase and pay for, upon and under the provisions, terms and conditions herein expressed, the real estate located in Grant County, Kentucky described in **EXHIBIT "A"**, which is attached hereto and incorporated herein by reference as fully and completely as though it were set forth at this point in full, together with all fixtures, all improvements, and all other appurtenances thereto, herein referred to as **"PREMISES."**

INSTALLMENT PAYMENTS OF THE PURCHASE PRICE

I

BUYER agrees to pay and SELLER agrees to accept as payment, the total sum of SIXTY NINE THOUSAND DOLLARS AND ZERO CENTS (\$69,000.00), payable as follows:

(A) A down payment of FIFTEEN THOUSAND DOLLARS (\$15,000.00) to be paid upon execution of this LAND CONTRACT.

(B) The balance of FIFTY FOUR THOUSAND DOLLARS (\$54,000.00) shall be paid in monthly payments, commencing the 1st day of December, 2012, of NINE HUNDRED DOLLARS AND ZERO CENTS (\$900.00). These payments shall be due and payable on the same day of each month after the commencement date as specified above and shall continue for a period of sixty months. Said payments shall be made payable to the CITY OF CORINTH, KENTUCKY and forwarded to the address above.

(C) No interest is being charged.

(D) Any amount of principal may be prepaid without premium or fee. In the event of prepayment, this CONTRACT shall not be treated as in default with respect to payment, so long as the unpaid balance of principal and interest is less than or equal to the amount that said indebtedness would have been had the payments been made as specified above.

(E) In light of the fact that no interest is being charged, an amortization schedule has not been attached hereto.

(F) The BUYER shall enjoy a fifteen (15) day grace period on all payments. In the event that the monthly payment is not received in full by the fifteenth (15th) day of the month, a ten percent or ninety dollar (\$90) late fee shall be imposed.

TAXES, ASSESSMENTS, UTILITIES & INSURANCE

II

BUYER shall become responsible for all Utility Payments and Insurance after the initial payment of \$15,000.00 is made to the SELLER.

BUYER shall become responsible for all taxes and other assessments, if any, beginning on January 1, 2015.

TRANSFER OF POSSESSION

III

SELLER shall deliver to BUYER full and complete possession of the PREMISES on January 1, 2015. BUYER'S right of possession shall continue so long as BUYER complies with all the terms and conditions of this agreement and performs all of the covenants made by in this agreement.

IMPROVEMENTS AND COVENANT AGAINST WASTE

IV

(A) Any improvements of any kind on, over, or about the PREMISES are purely within the sole discretion of the BUYER and the prior consent of SELLER is *not* required.

(B) In the event that SELLER wishes to exercise its option to repurchase the PREMISES as described in Section XI, SELLER shall be required to compensate BUYER for any and all improvements made by BUYER.

RISK OF LOSS

V

The BUYER assumes the risk of loss relative to the above described PREMISES, immediately upon transfer of possession, whether such loss may occur by a condemnation, accident, illegal activity, natural cause, or act of God.

ASSIGNMENT AND TRANSFER PROHIBITED WITHOUT APPROVAL

VI

No transfer, assignment, sale, lease, rent, or subletting of the above described PREMISES or of this LAND CONTRACT by the BUYER or any subsequent holder hereof, shall be valid or of any force or effect, unless and until the approval of SELLER, or their successors or assigns, has been endorsed hereon in writing, and any such assignee who so accepts an assignment of this LAND CONTRACT, shall be held to have assumed all of the obligations under this LAND CONTRACT devolving upon the BUYER herein; and no acceptance of any payment upon the purchase price, as specified above, or in any other manner, by the SELLER, shall constitute a waiver of this provision.

BUYER'S RESPONSIBILITY FOR ACCIDENTS AND INSURANCE

VII

(A) As a part of the consideration hereof, BUYER assumes all risks and responsibility for accident, injury, or damage to person or property arising from the use of or in or about the PREMISES conveyed, after the date of transfer and shall indemnify the SELLER for any loss or

suit costs. This is also consistent with the upkeep and maintenance responsibilities of BUYER, as stated herein.

(B) During the term of this LAND CONTRACT, and until full payment of the purchase price hereunder has been made, BUYER shall secure, maintain and pay the premiums for liability insurance covering against the risks set out in paragraph VII (A) above. Such insurance shall be written for coverage of no less than \$_____ per individual and shall be written by a sound and reputable insurance company licensed to conduct business in the State of Kentucky. All policies of insurance shall provide that losses thereunder shall be paid to the parties hereto as its several interests may appear.

(D) All premiums for such insurance shall be paid by BUYER when due and prior to delinquency. The policies shall be deposited with SELLER until such time as transfer by deed of this PREMISE is hereinafter provided.

(E) BUYER shall provide proof of insurance to the SELLER on demand, but not less than once per year.

DEFAULT

VIII

It is mutually agreed by and between the parties hereto that if BUYER shall fail or neglect to pay any one of the installments of purchase money, as provided in paragraph I, above, when the same becomes due, or within thirty (30) days thereafter, or if default is made in the performance or observance of any other of the covenants, agreements, promises, or duties herein contained on the part of the BUYER to be performed or to be observed, then all the installments and amounts remaining unpaid shall immediately become due and payable, but if BUYER fails

to pay same in full forthwith, the SELLER may, at their option, terminate this LAND CONTRACT by giving written notice by mail to BUYER, time being of the essence of the LAND CONTRACT; in the event of such termination, all payments theretofore made by the BUYER, including the value of repairs, and improvements made, may be retained by the SELLER as fixed and liquidated damages for nonperformance by the SELLER, and as rent, and as compensation for the use and occupancy of said PREMISES described herein, inasmuch as the parties realize and stipulate that damages for default of this LAND CONTRACT are, and will be difficult to assess.

However, in the event the SELLER cannot take the legal recourse set out above, they shall have available to them all legal remedies and rights available under the law of the Commonwealth of Kentucky, to include the right to file an appropriate foreclosure proceeding in a court of competent jurisdiction and proceed to recover the amount due them as otherwise permitted by law.

ADDITIONAL EXPENSES TO BUYER FOR DEFAULT

IX

BUYER agrees that in the event of default under any of the terms of this agreement, BUYER will pay any expense or cost sustained by SELLER, including but not limited to attorney's fees, court costs and any other expenses incidental to the institution or maintenance of any suit; and also any such expenses reasonably necessary to protect SELLER's interest under this agreement on account of any suit filed which in any way affects the property or rights and obligations set out in this agreement. This includes any divorce action, suit for partition or suit for sale of indivisible property. Any costs or expense recoverable hereunder shall be stated in

any itemized bill and shall be served and thereafter collected in the manner outlined in CR 54.04, Kentucky Rules of Civil Procedure or any successor or amendment thereto.

WAIVER OF DEFAULT

X

Failure or delay of SELLER to terminate this LAND CONTRACT because of any default shall not operate as a waiver by SELLER of the right to so terminate this LAND CONTRACT in the event of any subsequent, continuing, or other default by BUYER.

CONVEYANCE TO BUYER

XI

SELLER agree to convey to BUYER, upon performance as herein set out, a free, and unencumbered title to said PREMISES, by warranty deed, except such clouds on title as may be caused by the act or default of BUYER, and excepting easements, reservations, and restrictions of record, and any matter affected by zoning and land use law.

Provided that the BUYER is not in default under any of the terms contained herein, SELLER shall convey good title to BUYER on January 1, 2015. Simultaneously with the conveyance of the real property, BUYER shall execute a mortgage for the benefit of the SELLER for the total amount remaining under the terms of this LAND CONTRACT. Insofar as it is possible, the terms of said mortgage shall mirror the terms as set forth herein.

The foregoing notwithstanding, the SELLER shall have the option of repurchasing the herein described real property from the BUYER. Said option shall be remain open and valid up to and including January 1, 2015. Should the SELLER wish to exercise the repurchase option,

SELLER shall provide written notice to BUYER of their intention and shall fully refund all payments made under the terms of this LAND CONTRACT, including compensation for the value of any improvements.

DESCRIPTION OF PARTIES

XII

As used in this LAND CONTRACT, any reference to the parties is singular, but includes all the parties listed even if plural.

As used in this LAND CONTRACT, the singular form SELLER is used and refers to all of the SELLERS if plural. Also, the singular form BUYER is used, and refers to all of the BUYERS, if plural.

PARTIES BOUND

XIII

This agreement shall inure to the benefit of, and be binding upon, the heirs, executors, administrators, devisees, legatees, successors and assigns of the parties hereto, provided however that this LAND CONTRACT is assignable only as provided for in Paragraph VI, above.

Furthermore, all rights and remedies herein are cumulative of those provided by law.

NOTICE

XIV

All notices required to be served upon the parties to this CONTRACT shall be in writing and shall be delivered in person and the person receiving same shall sign showing receipt of same or shall be made by certified mail with return receipt requested.

LEASE BACK

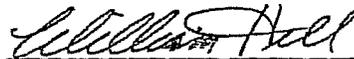
XV

Simultaneous with the execution of this LAND CONTRACT, the SELLER and BUYER are also executing a LEASE agreement under which the SELLER is leasing the PREMISES back from the BUYER. The terms of said LEASE are incorporated herein as if fully restated within the four corners of this LAND CONTRACT. Further, both SELLER and BUYER acknowledge that the LEASE is an essential element of the consideration for this LAND CONTRACT and that a default under the terms of one of these documents shall be considered a default of the terms of the other document.

In Witness Whereof, the parties have hereunto subscribed their names.

SELLER:

CITY OF CORINTH



WILLIAM HILL, MAYOR

DATE: 11/13/2012

BUYER:

CORINTH WATER DISTRICT

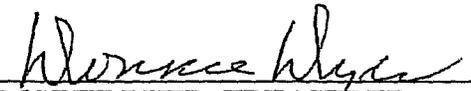
DATE: 11-7-12


DAN FIELD, CHAIRMAN

BUYER:

CORINTH WATER DISTRICT

DATE: 11-7-12


DONNIE DYER, TREASURER

BUYER:

CORINTH WATER DISTRICT

DATE: 11/7/2012

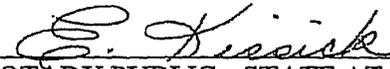

BOB McDANIEL, SECRETARY

COMMONWEALTH OF KENTUCKY)

) Notary's Certificate of Acknowledgment

COUNTY OF GRANT)

The foregoing LAND CONTRACT was acknowledged before me this 15th day of Nov, 2012 by CITY OF CORINTH, KENTUCKY, WILLIAM HILL, MAYOR, SELLER therein.


NOTARY PUBLIC - STATE AT LARGE
My Commission Expires: 2-17-13

COMMONWEALTH OF KENTUCKY)

) Notary's Certificate of Acknowledgment

COUNTY OF GRANT)

The foregoing LAND CONTRACT was acknowledged before me this 7th day of NOVEMBER, 2012 by **CORINTH WATER DISTRICT, DAN FIELD, CHAIRMAN, DONNIE DYER, TREASURER, and BOB McDANIEL, SECRETARY, BUYER** therein.


NOTARY PUBLIC - STATE AT LARGE
My Commission Expires: 07/13/2013

This Instrument Prepared in the Law Offices of:

By:

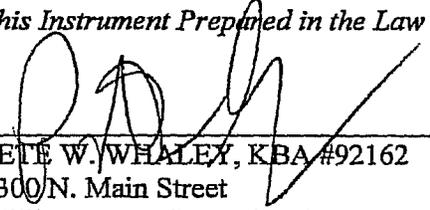

PETE W. WHALEY, KBA #92162
1300 N. Main Street
Williamstown, Kentucky 41097
(859) 824-5075

Exhibit B

LEASE AGREEMENT

THIS LEASE AGREEMENT made this 15th day of November, 2012, between CORINTH WATER DISTRICT, a public utility (hereinafter sometimes referred to as "Lessor"), having an office at 215 Thomas Lane, Corinth, Kentucky, and CITY OF CORINTH, KENTUCKY, and having its principal office at 215 Thomas Lane, Corinth, Kentucky, (hereinafter "Lessee").

WITNESSETH, That:

WHEREAS, the CORINTH WATER DISTRICT has purchased the real property located at 215 Thomas Lane, Corinth, Kentucky ("Facility") from the CITY OF CORINTH, KENTUCKY by virtue of a Land Contract executed contemporaneously herewith and Lessee (by this agreement) desires to continue to maintain their principal office(s) at said Facility.

WHEREAS, there had been a course of dealing under which the CITY OF CORINTH, KENTUCKY permitted the CORINTH WATER DISTRICT to maintain their principal office(s) within said Facility and accepted an exchange of services in lieu of rental payments.

WHEREAS, it is the express desire and intent of the parties to continue this course of dealing and now permit the CITY OF CORINTH, KENTUCKY to provide services to the CORINTH WATER DISTRICT in lieu of rental payments; and

NOW THEREFORE, in consideration of the mutual undertakings herein contained, Lessor agrees to lease Property to Lessee, and Lessee agrees to lease the Property from Lessor and further agree as follows:

I. DEFINITIONS

1. "Property" means the land and those Improvements existing on the land on the initial date of the contract.
2. "Services" shall mean _____.

II. TERM

1. The term of this agreement commences on the 15th day of November, 2012, and ends on the 31st day of October, 2111.
2. There shall not be any automatic options to renew included in this agreement. Any renewal periods after the initial lease period shall be negotiated by separate lease.

III. DEMISED PROPERTY

The demised premises in Corinth, Grant County, Kentucky are hereby described as follows:

215 Thomas Lane, Corinth, Kentucky (Approximately 0.36 acres).

together with the Improvements consisting of the buildings, improvements, fixtures and equipment now erected, installed, or located thereon and any additions, replacements, or substitutions hereafter made which may be evidenced by Supplemental Schedules attached hereto.

Also, said property is subject to easements, restrictions and conditions of record, or easements or restrictions visible upon the ground and any state of facts which an accurate survey would disclose.

IV. COMPLIANCE

Lessor represents to Lessee that, to the best knowledge of Lessor, the Building is on the date hereof in compliance with all applicable State of Kentucky, Grant County and Corinth zoning and building code requirements, and makes no representations as to the appropriate use of additional commercial endeavors.

V. USE OF PROPERTY

1. Lessee agrees that the Property shall be used and occupied primarily for use as a "city building", containing the administrative offices of the City of Corinth, Kentucky and for other such purposes related to the ongoing operations/functions of the City of Corinth, for a period of ninety nine years unless the Lessee moves their operations elsewhere, and that another use requires the prior written approval of the Lessor. Lessor agrees to not unreasonably withhold approval of any additional business, so long as said use does not compete with the Lessor, or their affiliated entities, other businesses, is in compliance with local ordinances, and/or does not reflect negatively on the Lessor.

2. Lessee shall not conduct or permit any illegal, immoral, offensive, noisy, or dangerous business or other activity on the Property.

VI. RENTAL

1. No security deposit shall be required.

2. Lessee and Lessor agree that no rent shall be charged. In lieu of rent, the Lessee agrees to provide the Lessor with the following services:

a. Assist with all aspects of customer service, including, but not limited to, billing, receiving payments, preparation of reports, etc.

VII. CONDITION, MAINTENANCE, REPAIR AND USE

1. All expenses for management, maintenance, repair and necessary replacements of the Property and the Property, including but not limited to those associated with the roof, structural components, plumbing and HV AC systems; and all other costs and expenses associated with the Property shall be the responsibility of Lessor.
2. All paved areas and sidewalks shall be maintained by Lessor, at Lessor's expense in a safe manner, and in as good or better condition as they existed at the time of this contract. Upkeep of these areas during the inclement weather shall be the responsibility of the Lessor.
3. Lessee shall take good care of the Property and shall use the Property only for the purpose specified above. Lessee shall comply with all laws, regulations and orders of any governmental authority.
4. Lessee acknowledges that he has fully examined, knows, and is satisfied with the condition of the Property and that the same are received by Lessee in good order and repair (unless otherwise expressly noted), and that no warranties or representations as to condition or repair have been made by Lessor.

VIII. ALTERATIONS AND ADDITIONS

Lessee shall not make any alterations or additions without the prior written consent of the Lessor.

IX. RIGHT OF INSPECTION

In addition to the other rights of Lessor under this Lease, Lessor reserves the right to enter the Property at reasonable times during business hours (i) for the purposes of inspections, repairs, alterations, improvements or additions to the Property, as Lessor may deem necessary or desirable in its sole discretion, (ii) to exhibit the Property to others, and (iii) for any purposes related to the safety, protection, preservation or improvement of the Property or of Lessor's interests therein.

X. DAMAGE OR DESTRUCTION

1. All equipment, fixtures and personal property belonging to the Lessee or to any other person, located in or about the Property, shall be there at the sole risk of the Lessee or such other person, and neither the Lessor nor its agents shall be liable for the theft or misappropriation thereof, or for any damage or injury thereto. Lessee shall be responsible for obtaining its own insurance on Lessee's equipment, fixtures, inventory and other personal property, in addition to the casualty and liability insurance on the Property that Lessee is obligated to obtain for Lessor's benefit pursuant to Section XVII.
2. If the Property is destroyed or damaged by fire or other casualty so as to render all or a material part of the Property unsuitable for occupancy, Lessee shall repair, restore or rehabilitate the Property with the proceeds of insurance (and with Lessee being responsible for any shortfall in insurance proceeds) within six (6) months after the date of such casualty or destruction, in which event the Lease shall not terminate

and rent shall not be abated during such reconstruction. Said six (6) month period in which Lessee has to restore the Property with the proceeds of insurance shall be extended by delays caused by acts of God, weather conditions, strikes, unavailability of needed materials, or other delays beyond the reasonable control of Lessee.

3. If the building on the Property is damaged or destroyed by fire, explosion, the elements, or other casualty during the term of this Lease so extensively that the Property is untenable for Lessee's purposes, Lessor may at its option repair or rebuild the same, but Lessor shall not be obligated to do so. Lessor shall, however, within twenty (20) days after such destruction or damage notify Lessee if Lessor elects not to repair or rebuild and in such a case, or if Lessor fails to repair or rebuild within four (4) months from the date of such destruction or damage (unavoidable delays excepted), either Lessor or Lessee shall have the right to cancel this Lease by notice to the other party. During any time that the Property is untenable for Lessee's purposes in whole or in part due to causes set forth in this paragraph, then unless such destruction or damage is due to the fault or neglect of Lessee, his agents or employees, the monthly rental or a just and fair portion thereof shall be abated.

XI. TAXES

Lessor will pay all property taxes beginning on January 1, 2015.

XII. OPERATION

Lessee shall be entitled to set appropriate business hours of operation so long as all other obligations of the Lessee are in compliance with this agreement. Lessee further agrees at all times to keep the Facility in good appearance, to maintain the restrooms, buildings, equipment, landscaping, and adjoining sidewalks, trees, lawns, and driveway approaches in a neat and clean condition.

XIII. ASSIGNMENT - SUBLETTING

Except as provided in paragraph 2 of this section Lessee agrees that without the prior written consent of the Lessor, or its designee, he will not (a) assign, mortgage, encumber, or transfer this Lease or the interest hereby created, (b) permit any lien or encumbrance to be placed thereon, (c) sublet or underlet the station Property or any part thereof, (d) become associated with any other person as a partner or otherwise with respect to this Lease, or (e) permit any other person, firm or corporation to occupy the Property or any part thereof.

Lessor, however is not prohibited from assigning its rights hereunder and Lessee agrees to cooperate and execute any documents necessary to effect Lessor's rights herein. Written consent shall not be unreasonably withheld by Lessor, however, in Lessor's sole discretion, it may grant consent with or without recourse to Lessee.

XIV. TERMINATION

Lessee shall, at the termination of this Lease, surrender the Property to Lessor in as good condition and repair as the Property is now or may hereafter be placed, reasonable wear and tear, and loss by fire and other casualties excepted. Upon termination of this Lease for any reason, Lessee shall have the right to remove all fixtures, equipment, inventory and personal property situated on or in the Property, but excluding New Improvements made by the Lessee, provided Lessee repairs any damages to the Property caused by the removal of such items. New Improvements shall be owned by the Lessor subject to Lessee's rights stated in this Section.

XV. CONDEMNATION

If all or a substantial part of the Property is taken by condemnation or right of eminent domain or by a sale in lieu thereof, this Lease may be terminated by either party upon such taking. The entire amount for such taking (including damages) shall belong to and be the sole property of Lessor. If only part of the Property is taken and the balance in the judgment of Lessor is suitable for Lessee's purposes this Lease shall not be subject to such termination but shall continue in effect, and Lessor shall expend so much of the net amount awarded as may be necessary to restore the Facility to accommodate Lessee's purposes, and during the period of such restoration rent hereunder or a fair proportion thereof shall be abated.

XVI. INDEMNITY

Lessee agrees to indemnify, defend, and hold harmless Lessor from and against all liabilities, losses, obligations, claims, damages, penalties, suits, actions, judgments, costs, and expenses of whatsoever nature for damage or destruction of property (including that of Lessor or Lessee) or for injury to or death of persons (including agents and employees of Lessor or Lessee) which may be imposed upon, incurred by, or asserted against Lessor directly or indirectly resulting from or connected with any accident or anything whatever occurring from any cause or in connection with the use, non-use, possession, condition, operation, maintenance, repair, or replacement of the Property, the Property Improvements, or anything located thereon.

XVII. INSURANCE

1. Lessor shall become responsible for Insurance after the initial payment of \$15,000.00 is made to the Lessee. This is in conjunction with the Land Contract.

XVIII. LESSEE'S OPERATIONS

1. Lessee and Lessor mutually agree that the operations conducted by the parties on the Property shall at all times be independent of one another and under the sole direction and control of each separate entity. None of the provisions of this Lease shall be construed as reserving to Lessor or as conferring upon it any right to direct or control the manner in which such business or the operation of the Lessee shall be conducted. Lessee's obligations to Lessor hereunder shall be the performance of the terms and conditions of this Lease.
2. Accept as otherwise stated herein, neither party shall have the authority to employ any person as an agent or employee for or on behalf of the other for any purpose, and neither Lessee nor any other person performing any duties or engaging in any work at the request of Lessee upon the Property shall be deemed to be an employee or agent of Lessor or vice versa.
3. Lessee agrees to indemnify, defend, protect and hold Lessor, its successor, assigns, employees, officers, agents and affiliates harmless from and against any and all liabilities, losses, obligations, claims, damages (consequential or otherwise), penalties, suits, actions, judgments, costs and expenses (including attorneys' fees) of whatever nature for personal injury (including death) of persons (including agents and employees of Lessor or property damage (including that of Lessor), which may be imposed on, incurred by or asserted against Lessor directly or indirectly, caused in whole or in part by Lessee's failure to comply with any local state or federal law, statute, regulation or ordinance whether currently in effect or which may come into effect, related to environmental protection or environmental compliance.

XIX. SURRENDER

Lessor covenants and agrees with Lessee that Lessee, upon paying the rents and performing the terms and conditions of this Lease, Lessee shall lawfully, peaceably and quietly, hold, occupy and enjoy the Property during the term hereof.

XX. DEFAULT

Each of the following shall be deemed a default by Lessee (an "Event of Default"):

1. If Lessee defaults in the performance of any of Lessee's other covenants, agreements or obligations contained in this Lease, and such default shall not have been cured within fifteen (15) days after Lessor shall have given Lessee written notice specifying such default; provided, that such fifteen (15) day period shall be extended for such period of time reasonably necessary for Lessee to cure such default if such default is not capable of being cured within fifteen (15) days so long as Lessee proceeds with due diligence to cure such default;
2. If a voluntary or involuntary petition is filed by or against Lessee under any bankruptcy law (including a petition for reorganization, extension of payment, composition or adjustment of liabilities);

3. If a receiver should be appointed for Lessee or if Lessee should make any assignment for the benefit of creditors;
4. Upon the occurrence of any Event of Default, Lessor may, at Lessor's election, whether or not Lessor terminates this Lease, enter into the Property and repossess the same and thereafter Lessor shall have no further obligations under this Lease to Lessee.

A default of the terms of the Land Contract, executed contemporaneously herewith, shall be deemed a default of the terms of this Lease.

XXI. WAIVER AND SUBORDINATION

1. No waiver of any of the covenants or agreements contained in the Lease or any breach thereof shall constitute a waiver of any other or subsequent breach of such covenants and agreements or to justify or authorize the non-observance at any other time of the same or of any other covenants or agreements. To be effective against Lessor, any waiver of any term or condition of this Lease must be in a writing executed by Lessor.
2. The waiver of any default or breach of Lessee hereunder, acceptance of rent during the continuance thereof, forbearance, or failure to insist upon strict performance of any of the terms or provisions hereof or prior course of dealing on the part of Lessor shall not be taken to be a waiver of any continuing or subsequent default or breach of the same or any other covenant, condition, or provision hereof or affect the rights or remedies with respect thereto.
3. This Lease shall be subject and subordinate at all times to the lien of any existing mortgages and of mortgages which are hereafter a lien on the Property. Although no instrument or act on the part of Lessee shall be necessary to effectuate such subordination, Lessee shall, nevertheless, execute and deliver such further instruments subordinating this Lease to the lien of any such mortgages as may be requested by the mortgagee or Lessor. As a condition to such subordination, Lessor shall obtain from any such mortgagee or any other party having an interest to the Property superior to Lessee's leasehold estate an agreement not to disturb Lessee's occupancy, use and enjoyment of the Property so long as Lessee is not in material default hereunder. The delivery of such agreement or agreements pursuant to the terms of the Lease which are satisfactory to Lessee and in recordable form shall be a condition precedent to Lessee's obligations hereunder unless Lessee waives such requirement. In addition, Lessee agrees to deliver to Lessor or Lessor's mortgagee such estoppel certificates reasonably required by Lessor or Lessor's mortgagee from time to time.

XXII. SEVERABILITY

Should any of the provisions contained in this Agreement be now or hereafter become illegal or unenforceable as to Lessee by state or federal statute or otherwise, such provisions shall be void during the period of conflict and the remaining provisions shall continue to be of full force and effect. If subsequent to the date of this Agreement valid state or federal laws or regulations governing the relationship between Lessee and Lessor take effect, this Agreement shall be considered to incorporate any mandatory requirements of such laws or regulations so long as they shall be effective, and any provisions of this Agreement in conflict therewith shall during such

period be void.

XXIII. NOTICES

Any notice required or permitted to be given under this Lease shall be deemed given when personally delivered or three (3) days being deposited in the United States Mail, certified or registered mail, postage prepaid, and addressed as follows:

To Lessee:

City of Corinth, Kentucky
Attn: William Hill, Mayor
215 Thomas Lane
Corinth, Kentucky 41010

To Lessor:

Corinth Water District
Attn: Dan Field
215 Thomas Lane
Corinth, Kentucky 41010

or to such other address as either of the parties hereto may from time to time advise the other party in writing.

XXIV. MISCELLANEOUS

1. This Lease constitutes the entire understanding between the parties and supersedes all prior agreements, oral or written. No waiver, modification, or addition to this Lease shall be valid unless in writing and signed by both Lessor and Lessee.
2. The foregoing notwithstanding, a Land Contract between the City of Corinth and the Corinth Water District has been executed contemporaneously with this Lease. To the extent possible, it is the intention of the parties that the terms of the two documents are to mirror one another. Any apparent inconsistencies should be resolved in favor of agreement between the documents.
3. Except as otherwise set forth in this agreement this Lease and the covenants and conditions herein contained shall inure to the benefit of and be binding upon Lessor and Lessee and their respective heirs, successors and permitted assigns.
3. The sections, captions and headings in this Lease are for convenience of reference only and in no way shall be used to construe or modify the provisions set forth in this Lease.
4. Neither Lessor nor Lessee shall record this Lease. Lessor and Lessee hereby agree that, upon the request of the other party, each shall execute, acknowledge and deliver a short form or memorandum of this Lease in recordable form. Fees for the preparation and recording of any such memorandum of this Lease shall be paid by the party requesting execution of the same. In the event of termination of this Lease, within thirty (30) days after written request from Lessor,

Lessee agrees to execute, acknowledge and deliver to Lessor an agreement removing any such memorandum of this Lease from record.

5. This Lease and the rights and obligations of the parties hereto shall be construed in accordance with the laws of the Commonwealth of Kentucky.

XXV. REPRESENTATIONS

EXECUTION OF THIS AGREEMENT BY LESSEE AND LESSOR IS AN ACKNOWLEDGMENT THAT NO REPRESENTATIONS NOT SET FORTH IN WRITING HEREIN OR SET FORTH IN THE LAND CONTRACT (EXECUTED CONTEMPORANEOUS HEREWITH) HAVE BEEN MADE TO OR RELIED UPON BY EITHER PARTY.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, as of the date first written above.

Witness:

Bob McDaniel

LESSOR - CORINTH WATER DISTRICT

Dan Field
By: Dan Field, Chairman

Witness:

Donnie Dyer

LESSOR - CORINTH WATER DISTRICT

Donnie Dyer
By: Donnie Dyer, Treasurer

Witness:

Donnie Dyer

LESSOR - CORINTH WATER DISTRICT

Bob McDaniel
By: Bob McDaniel, Secretary

Witness:

Zara Wright

LESSEE - CITY OF CORINTH, KENTUCKY

William Hill, Mayor
By: William Hill, Mayor

Exhibit C

CORINTH WATER DISTRICT

215 THOMAS LANE P. O. BOX 218
CORINTH KY 41010

PHONE--(859) 824 7110

FAX--(859) 824 5922

WHILLCWD@WKYBB.NET

JANUARY 25, 2013

Dear Hon. Jonathan Beyer:

First of all, I want to apologize for all the trouble I and the Water District have caused through our actions or lack thereof. I was going under the assumption that since the District was not actually building a new Office and had been here for the last 20 plus years, it would be okay.

The City of Corinth shares the office space with us and the City was going to default on their Loan Obligations to U. S. D. A. RURAL DEVELOPMENT.

The logical solution would be for the District to purchase the property through a Land Contract/Lease option. We could make those payments with no detriment to the Water District and would not be looking for a place to operate on such a limited time schedule. I have enclosed the documents which were prepared by the District's Attorney, Hon. Pete Whaley.

If I can be of any further assistance, please do not hesitate to call me.

Sincerely,



William H. Hill, Manager
Corinth Water District

William Hill
General Manager
Corinth Water District
P. O. Box 218
Corinth, KY 41010

Pete Whaley
1300 Noth Main Street
Williamstown, KENTUCKY 41097