

THIS CONTRACT FOR WATER SERVICE, made and entered into as of this 5 day of March, 1979, by and between the Webster County Water District, a Water District created under and existing by virtue of the provisions of Chapter 74 of the Kentucky Revised Statutes, situated entirely in Webster County, Kentucky, (hereinafter sometimes referred to as the "District"), and the Town of Slaughters, a municipal corporation of the Sixth Class, situated in Webster County, Kentucky, acting by and through the Board of Directors (hereinafter sometimes referred to as "town" or "Slaughters").

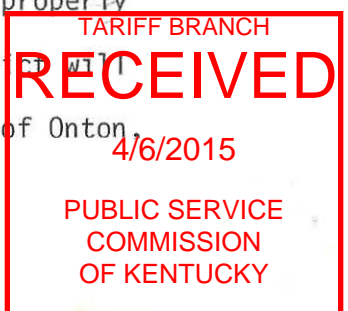
WITNESSETH:

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

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

(C) The present source of water for the Town of Slaughters is from lakes.

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



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

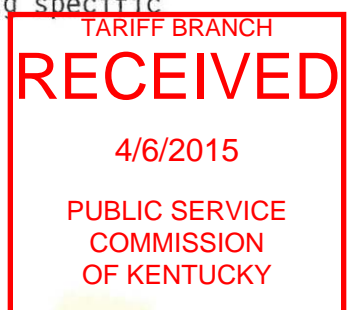
NOW THEREFORE, IN CONSIDERATION OF ALL THE FOREGOING AND THE VARIOUS REPRESENTATIONS, COVENANTS, AND UNDERTAKINGS HEREINABOVE AND HEREINAFTER CONTAINED, THE PARTIES HEREBY SPECIFICALLY AGREE AND COVENANT EACH WITH THE OTHER AS FOLLOWS:

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

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

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

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



effect to this Section and all necessary solely with respect to the District's other water customers, all of which is subject to approval of the lending agency, and the Public Service Commission.

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

Section 4. It is hereby expressly covenanted and agreed that during the term of this Contract for Water Service, the Town of Slaughters shall satisfy its entire municipal water needs solely from the District. The District agrees to furnish the purchaser at the point of delivery, during the term of this contract or any renewal or extension thereof, potable treated water in such quantity as may be required by the Purchaser, not to exceed 2 Million gallons per month. The Town of Slaughters agrees it will not operate any water works system in competition with the District, nor seek to satisfy any part of its water needs from any other source or party. Provided, however, that as hereinafter set forth, the Town of Slaughters may obtain standby water facilities for emergency purposes only in the event of a failure of the District's system but shall not use same for purposes of satisfying any part of its municipal water needs except in the event of an emergency. The District will, at the times,



operate and maintain its system in an efficient manner and take such actions as may be necessary to furnish the Town of Slaughters with quantities of water required by the Town. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the District is otherwise diminished over an extended period of time, the supply of water to the Town of Slaughters' customers shall be reduced or diminished in the same ratio or proportion as the supply to the District's consumers is reduced or diminished.

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

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

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COMMISSION
OF KENTUCKY

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

Section 8. The Contract for Water Service shall be binding upon and shall inure to the benefit of all of the parties hereto and their successors in interest, grantees, assignees, heirs, and assigns, and all parties taking an interest from said parties. If any section, clause or provision of this contract shall be held invalid, such holding of invalidity shall not affect the validity of any remaining section, clause, paragraph, portion, or provision of this Contract.

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

TOWN OF SLAUGHTERS

BY: A. C. Boyd

WEBSTER COUNTY WATER DISTRICT

Lepal Brooks

ATTEST:

Geradine Brown
CITY CLERK

ATTEST:

L. R. Hill
SECRETARY

This contract is approved on behalf of the Farmers Home Administration this 7th day of August, 1979.

BY: David R. Kij
TITLE: Community Program Specialist

