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MAY - 2 2001

LINE IMPROVEMENT CONTRACT

PUBLIC SERVICE COMMISSION

Whereas, the Henry County Water District #2 (hereinafter the "District") is a non-profit public utility engaged in providing drinking water for public consumption in Henry, Oldham, Trimble, Shelby and Carroll Counties in the Commonwealth of Kentucky;

And Whereas, the District is regulated by the Kentucky Public Service Commission and State Division of Water;

And Whereas, a need has arisen to dedicate a certain portion of the hydraulic capacity of the water distribution system to allow the development of certain parcels of real estate located near Elmburg in Shelby County, Kentucky;

And Whereas, said properties are to be developed by the individual named hereinafter who is desirous of having said hydraulic capacity dedicated by the District in order to allow service to the areas to be developed;

And Whereas, it is understood that said hydraulic capacity has resulted from the Magruder-Shipman Line Improvement, a project consisting of approximately 14,000' of six (6) inch line recently installed by the District at a cost of \$114,064.00;

And Whereas, the proposed development has been evaluated by the District's engineers and determined to represent 2.87% of the hydraulic capacity of said Line Improvement;

NOW THEREFORE, this Line Improvement Contract made and entered into this 27 day of April, 2001, by and between the Henry County Water District #2, 219, Campbellsburg, Kentucky 40011 and Charles L. Davis, 25 Henry Street, Eminence, KY 40019(hereinafter the "Developer"),

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE

JUN 01 2001

WITNESSETH: that for and in consideration of the mutual promises and covenants set out hereinafter, the parties hereto agree as follows:

PURSUANT TO 807 KAR 5.011, SECTION 9 (1) BY: Stephan D. Bell SECRETARY OF THE COMMISSION

- 1. The Developer shall reimburse the District for 2.87% of the cost of the Magruder Shipman Line Improvement, said amount being \$3273.63. The purpose of this reimbursement is to offset the hydraulic impact of the proposed development on Bohannon Road containing 6 unserved lots, located near Elmburg, in Shelby County, Kentucky,

2. The Magruder-Shipman Line Improvement shall at all times be owned in its entirety by the District. The District shall have the right to extend these facilities without compensation to the Developer or the consent of the Developer.

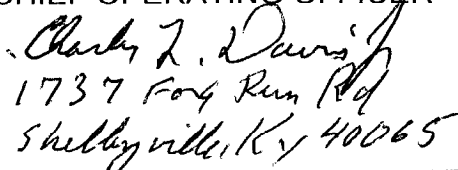
3. It is further understood that no final certification of water availability shall be made by the District until all necessary approvals including approval of this contract are received from the Public Service Commission, the Division of Water and any other necessary and appropriate regulatory agencies, and until the terms of said reimbursement are fulfilled.

Witness the hands of the undersigned on the date first above written.

HENRY COUNTY WATER DISTRICT #2



DONALD W. HEILMAN
CHIEF OPERATING OFFICER

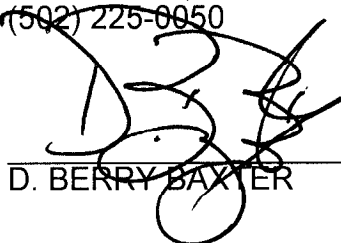


1737 Fox Run Rd
Shelbyville, Ky 40065

CHARLES L. DAVIS, JR.
25 Henry Street
Eminence, KY 40019

THIS INSTRUMENT PREPARED BY:

D. BERRY BAXTER
ATTORNEY AT LAW
300 EAST MAIN STREET
LAGRANGE, KENTUCKY 40031
(502) 225-0050

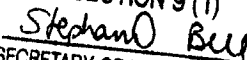


D. BERRY BAXTER

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

JUN 01 2001

PURSUANT TO 807 KAR 5.011,
SECTION 9(1)

BY: 
SECRETARY OF THE COMMISSION