

WATER SERVICE AGREEMENT

This service agreement for the sale and purchase of water is entered into as of the 5 day of APRIL, 2007, between the EAST LAUREL WATER DISTRICT, 1670 Daniel Boone Parkway, East, London, Kentucky 40741, hereinafter referred to as the "Seller" and the CITY OF MANCHESTER, Manchester, Kentucky 40962, hereinafter referred to as the "Purchaser",

WITNESSETH:

Whereas, the Purchaser is organized and established under the laws of the Commonwealth of Kentucky as a municipality, having assumed control of the water line previously operated by North Manchester Water District, which has plans now on file in the office of the purchaser and to accomplish this purpose, the Purchaser will require a supply of treated water, and

Whereas, the Seller owns and operates a water supply distribution system with a capacity currently capable of serving the present customers of the Seller's system and the estimated number of water users to be served by the said Purchaser as shown in the plans of the system now on file in the office of the Purchaser.

Whereas, by Resolution enacted on the 5 day of APRIL, 2007, by the Seller, the sale of water to the Purchaser in accordance with the provisions of the said service agreement was approved, and the execution of this service agreement carrying out the said Resolution by the Chairman and attested by the Secretary, was duly authorized, and

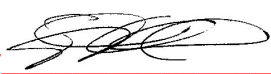
Whereas, by Resolution of the City of Manchester of the Purchaser, enacted on the 19th Day of February, 2007, the connection and purchase of water from the Seller in accordance with the terms set forth in the said service agreement was approved, and the execution of this service agreement by the Mayor, and attested by the Secretary was duly authorized;

Now, therefore, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. The Seller Agrees:

1. (Quality and Quantity) To furnish the Purchaser at the point of delivery hereinafter specified as the Little Goose Tie-In, during the term of this service agreement or any renewal or extension thereof, potable treated water meeting applicable purity standards of the Kentucky Department of Natural Resources and Environment Protection in such quantity as may be required by the Purchaser not to exceed 1,000,000 gallons per month, and not to exceed 25 gallons per minute.

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By 
Executive Director

2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure calculated at existing line pressure from an existing 6 inch main supply which is feed by a 4 inch supply line at a point located at Highway 687, East. If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the cost of providing such greater pressure shall be borne by the Purchaser. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the Seller from this provision for such reasonable period of time as may be necessary to restore service. Any upgrades necessary to accomplish the purpose of this agreement shall be paid by the East Laurel Water District, but shall be reimbursed dollar per dollar by the City of Manchester.

3. (Billing Procedure) To furnish the Purchaser at the above address not later than the 10th day of each month, with an itemized statement of the amount of water furnished the Purchaser during the preceding month.

B. The Purchaser Agrees:

1. (Metering Equipment) To furnish, install, operate and maintain at its own expense at point of delivery, the necessary metering equipment, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the purchaser. The seller will test equipment and bill purchaser for cost, but not more frequently than once every (12) months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the six months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless Seller and Purchaser shall agree upon a different amount. The metering equipment shall be read on the last day of each month. An appropriate official of the Purchaser at all reasonable times shall have access to the meter for the purpose of verifying its readings.

2. (Rates and Payment Date) To pay the Seller, not later than the 15th day of each month, for water delivered in accordance with the following schedule of rates:

a. \$3.22 per 1,000 gallons.

3. (Connection Fee) To pay as an agreed cost, a connection fee to connect the Seller's system with the system of the Purchaser, the sum of actual cost dollars which shall cover any and all costs of the Seller for installation.

C. It is further mutually agreed between the Seller and the Purchaser as follows:

1. (Term of Service Agreement) That this service agreement shall extend for a term of one (1) year from the date of the initial delivery of any water as shown by the first bill

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submitted by the Seller to the Purchaser and thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser.

2. (Delivery of Water) That 30 days prior to the estimated date of completion of construction of the Purchaser's water supply distribution system, the Purchaser will notify the Seller in writing the date for the initial delivery of water.

3. (Failure to Deliver) That the Seller will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the Purchaser with quantities of water required by the Purchaser. 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 Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's consumers is reduced or diminished.

4. (Modification of Contract) That the provisions of this contract pertaining to the schedule of rates to be paid by the Purchaser for water delivered are subject to modification at the end of every one (1) year period. 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 Seller's system. Other provisions of this service agreement may be modified or altered by mutual agreement.

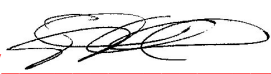
5. (Regulatory Agencies) That this service agreement is subject to such rules, regulations, or laws as may be applicable to similar agreements in this State and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

6. (Miscellaneous) That the construction of the water supply distribution system by the Purchaser is being financed by a loan made or insured by, and/or a grant from, the United States of America, acting through the Abandoned Mines Grant of the United States Department of Agriculture.

7. (Successor to the Purchaser) That in the event of any occurrence rendering the Purchaser incapable of performing under this service agreement, any successor of the Purchaser, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the Purchaser hereunder.

8. The primary obligation of the East Laurel Water District is to provide water to the customers in its own water district. For such reason, if at any time performance of this service agreement by East Laurel Water District jeopardizes the water supply to its own customers, East Laurel Water District may give seven (7) days notice to cancel this agreement and cancel water to the City of Manchester.

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9. The Purchaser is responsible for all distribution testing required by the Environment Protection Agency and Division of Water, past the point of delivery.

10. The seller is providing water for customers' use. The seller is not providing water for fire protection.

In witness whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this service agreement to be duly executed in 4 counterparts, each of which shall constitute an original.

Seller:
East Laurel Water District

By: *John Douglas Day*
John Douglas Day

Title: Chairman

Attest:

Bobby Anders
Secretary

Purchaser:
City of Manchester

By: *Ann W. Skene*

Title: Mayor

Attest:

Mary Sue Hensley
Secretary

This service agreement is approved on this the _____ day of _____, 2007.

By: _____

Title: _____

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By: *[Signature]*
Executive Director