

Goss ■ Samford PLLC



Attorneys at Law

David S. Samford
david@gosssamfordlaw.com
(859) 368-7740

April 30, 2013

RECEIVED

APR 30 2013

**PUBLIC SERVICE
COMMISSION**

Via Hand-Delivery

Mr. Jeffrey Derouen
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: In the Matter of the Application of Fern Lake Company for Rate Adjustment for
Small Utilities Pursuant to 807 KAR 5:076

Dear Mr. Derouen:

Enclosed for filing is an ARF application and all necessary attachments on behalf of Fern Lake Company.

Please file these documents in the record and return a copy to me. Feel free to contact me should you have any questions.

Sincerely,

David S. Samford

Enclosures

cc: Dennis G. Howard II

SUBMIT ORIGINAL AND FIVE ADDITIONAL COPIES, UNLESS FILING ELECTRONICALLY

RECEIVEDAPPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

APR 30 2013

For Small Utilities Pursuant to 807 KAR 5:076
(Alternative Rate Filing)PUBLIC SERVICE
COMMISSIONFern Lake Company
*(Name of Utility)*34 Appolo Fuels Road*(Business Mailing Address - Number and Street, or P.O. Box)*Middlesboro, Ky 40965*(Business Mailing Address - City, State, and Zip)*606-248-1535*(Telephone Number)***BASIC INFORMATION**NAME, TITLE, ADDRESS, TELEPHONE NUMBER and E-MAIL ADDRESS of the person to whom correspondence or communications concerning this application should be directed:David Samford, Goss Samford PLLC*(Name)*2365 Harrodsburg Road Suite B-130*(Address - Number and Street or P.O. Box)*Lexington, Ky 40504*(Address - City, State, Zip)*859-368-7740*(Telephone Number)*david@gosssamfordlaw.com*(Email Address)***(For each statement below, the Applicant should check either "YES" or "NO".)**


- | | YES | NO |
|---|-------------------------------------|-------------------------------------|
| 1. a. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant operates two or more divisions that provide different types of utility service. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue from the division for which a rate adjustment is sought. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2. a. Applicant has filed an annual report with the Public Service Commission for the past year. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant has filed an annual report with the Public Service Commission for the two previous years. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 3. Applicant's records are kept separate from other commonly-owned enterprises. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- | | YES | NO |
|---|-------------------------------------|-------------------------------------|
| 4. a. Applicant is a corporation. A certified copy of its articles of incorporation and all amendments are attached to this application or were filed with the Public Service Commission in Case No. _____. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant is a limited liability company. A certified copy of its articles of organization and all amendments are attached to this application or were filed with the Public Service Commission in Case No. _____. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| c. Applicant is a limited partnership. A certified copy of its limited partnership agreement and all amendments thereto are attached to this application or were filed with the Public Service Commission in Case No. _____. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| d. Applicant is a sole proprietorship or partnership. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| e. Applicant is a water district organized pursuant to KRS Chapter 74. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| f. Applicant is a water association organized pursuant to KRS Chapter 273. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rateintervention@ag.ky.gov. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 6. a. Applicant has 20 or fewer customers or is a sewer utility and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application was filed with the Public Service Commission. A copy of this notice is attached to this application. (Attach a copy of customer notice.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant has more than 20 customers, is not a sewer utility, and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. (Attach a copy of customer notice.) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| c. Applicant has more than 20 customers, is not a sewer utility, and has made arrangements to publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication having been made by the date on which this Application was filed. A copy of this notice is attached to this application. (Attach a copy of customer notice.) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." (Attach completed "Reasons for Application" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- | | | YES | NO |
|-------|--|-------------------------------------|-------------------------------------|
| 8. | Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." (Attach completed "Current and Proposed Rates" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 9. | Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, <u>2012</u> . | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 10. | Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." (Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 11. | Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ <u>64,596.01</u> and total revenues from service rates of \$ <u>149,796.01</u> . The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. (Attach a completed "Revenue Requirement Calculation" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 12. | As of the date of the filing of this application , Applicant had <u>1</u> customers. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 13. | A billing analysis of Applicant's current and proposed rates is attached to this application. (Attach a completed "Billing Analysis" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 14. | Applicant's depreciation schedule of utility plant in service is attached. (Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 15.a. | Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution). | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

- | | YES | NO |
|--|-------------------------------------|-------------------------------------|
| 16.a. Applicant is not required to file state and federal tax returns. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b. Applicant is required to file state and federal tax returns. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| c. Applicant's most recent state and federal tax returns are attached to this Application. (Attach a copy of returns.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 17. Approximately <u>0.00</u> (Insert dollar amount or percentage of total utility plant) of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

I am authorized by the Applicant to sign and file this application on the Applicant's behalf, have read and completed this application, and to the best of my knowledge all the information contained in this application and its attachments is true and correct.

Signed 
 Officer of the Company/Authorized Representative
 Title Counsel for Fern Lake Company
 Date 4-30-13

COMMONWEALTH OF KENTUCKY

COUNTY OF Fayette

Before me appeared David S. Sanford, who after being duly sworn, stated that he/she had read and completed this application, that he/she is authorized to sign and file this application on behalf of the Applicant, and that to the best of his/her knowledge all the information contained in this application and its attachments is true and correct.

Sheila A. Carria
 Notary Public
 My commission expires: 5-9-2013

LIST OF ATTACHMENTS
(Indicate all documents submitted by checking box)

- Applicant's Articles of Incorporation, Articles of Organization, or Limited Partnership Agreement.
- All amendments to Applicant's Articles of Incorporation, Articles of Organization, or Limited Partnership Agreement.
- Customer Notice of Proposed Rate Adjustment
- "Reasons for Application" Attachment
- "Current and Proposed Rates" Attachment
- "Statement of Adjusted Operations" Attachment
- "Revenue Requirements Calculation" Attachment
- "Billing Analysis" Attachment
- Depreciation Schedule
- Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
- State Tax Return
- Federal Tax Return

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
APR 30 2013
PUBLIC SERVICE
COMMISSION

In the Matter Of:

APPLICATION OF FERN LAKE COMPANY)
FOR RATE ADJUSTMENT FOR SMALL) CASE NO. 2013-_____
UTILITIES PURSUANT TO 807 KAR 5:076)


SUPPLEMENTAL INFORMATION

Fern Lake Company is a class C investor owned water company and has filed for a rate adjustment for small utilities pursuant to 807 KAR 5:076. A complete ARF Form 1 and necessary attachments are included with this filing.

Fern Lake Company does not have any outstanding indebtedness, therefore no copies are attached to the filing. Also, Fern Lake Company's utility plant in service has been fully depreciated and therefore no depreciation schedule is attached to the filing.

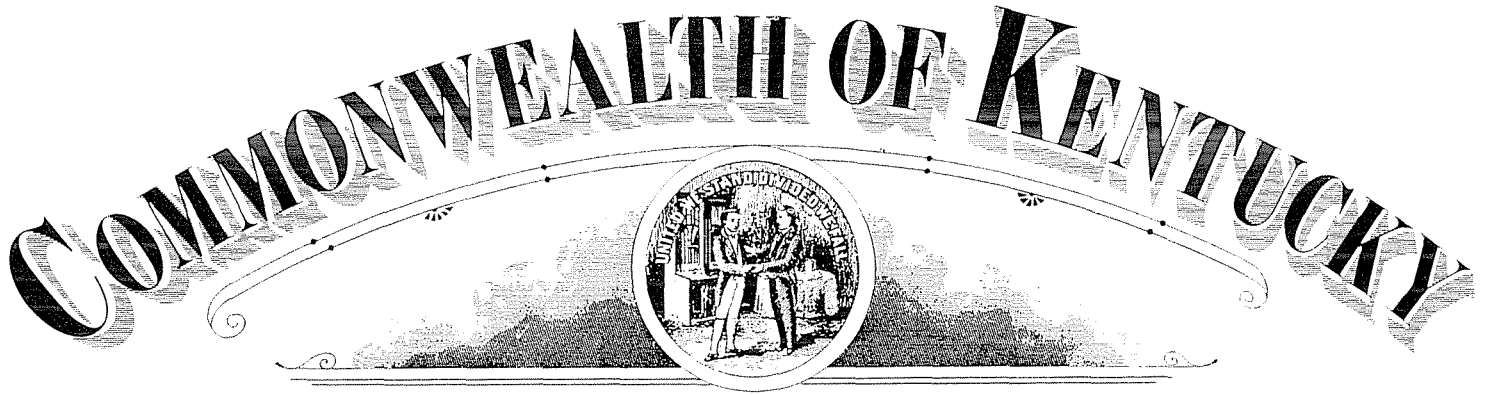
Fern Lake Company is organized as an S Corporation. As such, it is required to file state tax returns, but not federal tax returns. A copy of the most recent state return is attached to the filing.¹ Since Fern Lake Company is not required to file or pay federal income taxes, the revenue requirement calculation does not include a tax gross-up factor.

Revenues realized from third party recreational activities are included in the schedule of adjusted operations.



DAVID SAMFORD
GOSS SAMFORD PLLC
2365 Harrodsburg Road
Suite B-130
Lexington, Kentucky 40504
(859) 368-7740
david@gosssamfordlaw.com

¹ An extension has been granted for the filing of the 2012 tax returns. The 2011 returns are attached.



**Alison Lundergan Grimes
Secretary of State**

Certificate

I, Alison Lundergan Grimes, Secretary of State for the Commonwealth of Kentucky, do hereby certify that the foregoing writing has been carefully compared by me with the original thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of

ARTICLES OF INCORPORATION OF

FERN LAKE COMPANY FILED FEBRUARY 21, 1949;

CERTIFICATE OF AMENDMENT FILED AUGUST 26, 1949;

ARTICLES OF AMENDMENT FILED MAY 5, 1972.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 29th day of April, 2013.



Alison Lundergan Grimes

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
dwilliams/0017270 - Certificate ID: 138178

17270

Commonwealth of Kentucky

Department of State



Office of Secretary of State

GEORGE GLENN HATCHER, SECRETARY

CERTIFICATE OF INCORPORATION

I, *GEORGE GLENN HATCHER*, Secretary of State, do hereby certify that the Articles of Incorporation in triplicate originals of Fern Lake Company

Louisville, Kentucky

delivered to me are found to be duly signed and acknowledged according to law; that all taxes, fees and charges have been paid; and one original copy is filed and recorded in this office.

This certificate, with two original Articles of Incorporation endorsed with the fact and time of recording in this office, has been returned to the incorporators or their representative. Corporate existence shall begin upon the issuance of this certificate. Said certificate, issued in accordance with KRS 271.055, shall be conclusive evidence of the fact that the above named corporation has been incorporated.



SECRETARY OF STATE

Given under my official signature and seal,

this, the 21st day of February, 1949.

George Glenn Hatcher
Secretary of State

By *J. J. Lynn*
Deputy, Corporation Department

ARTICLES OF INCORPORATION
OF
FERN LAKE COMPANY

KNOW ALL MEN BY THESE PRESENTS: That we, the under-
signed, M. P. ROBERTSON, JACK Q. NEATH and CHARLES A. ROBERTSON,
do associate to establish a corporation under the laws of the
Commonwealth of Kentucky:

ARTICLE I

The name of the corporation is "FERN LAKE COMPANY".
Its duration shall be perpetual.

ARTICLE II

The address of the registered office of the corpora-
tion is 312 South Fourth Street, Louisville, Kentucky, and the
corporation's registered agent is Charles A. Robertson, 312 ✓
South Fourth Street, Louisville, Kentucky.

ARTICLE III

The purposes for which the corporation is formed
shall be:

To buy, sell, exchange, hold, own, operate, lease,
and mortgage real estate; to improve such real estate in any
manner conducive to its better utilization; to acquire, hold,
own, lend, pledge, mortgage and dispose of personal property,

both tangible and intangible; to borrow money and to issue, sell or pledge its obligations and evidences of indebtedness, and to mortgage or pledge its assets to secure the payment of money borrowed.

ARTICLE IV

The total authorized number of shares shall be one thousand (1,000) shares of common stock with a par value of ten dollars (\$10.00) per share. The amount of capital with which the corporation will begin business is one thousand dollars (\$1,000).

ARTICLE V

The names and addresses of the incorporators and the number of shares subscribed by each are:

M. P. Robertson	312 South Fourth St. Louisville, Kentucky	1 share
Jack Q. Heath	312 South Fourth St. Louisville, Kentucky	1 share
Charles A. Robertson	312 South Fourth St. Louisville, Kentucky	1 share

ARTICLE VI

The corporation will begin business as soon as these Articles of Incorporation have been filed, its first Board of Directors elected, and \$1,000 capital has been paid in.

ARTICLE VII

The affairs of the corporation shall be conducted

by the Board of Directors. The Board of Directors shall elect a President, a Secretary and a Treasurer, and may elect such other officers as may be necessary. At the first meeting of the shareholders, three (3) Directors shall be elected. Thereafter, the number of Directors, which shall not be less than three (3), and the time and manner of their election shall be fixed by the by-laws.

ARTICLE VIII

The Board of Directors is authorized to make the determinations provided for in KRS 271.175.

ARTICLE IX

The authority to make, amend, alter and repeal by-laws shall be vested in the Board of Directors, subject to the power of the shareholders to change or repeal such by-laws.

IN TESTIMONY WHEREOF, we have hereunto subscribed our names this the 19th day of February, 1949.

M. P. Robertson
M. P. Robertson

Jack Q. Heath
Jack Q. Heath

Charles A. Robertson
Charles A. Robertson

STATE OF KENTUCKY
COUNTY OF JEFFERSON ^{SS}

I, Helen A. Sage, a Notary Public in and for the State and County aforesaid, do hereby certify that the foregoing Articles of Incorporation were produced before me in my office by M. P. Robertson, Jack Q. Heath and Charles A. Robertson, who acknowledged the foregoing to be their act and deed and the act and deed of each of them.

Witness my signature and seal of office on this 19th day of February, 1949.

My commission expires Jan. 11, 1952.

Helen A. Sage
Notary Public, Jefferson County, Ky.

**ORIGINAL COPY
FILED AND RECORDED**

DATE FEB 21 1949

George Bruce Hatcher
SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY

BY J. J. Lyon
DEPUTY

Commonwealth of Kentucky

Department of State



Office of Secretary of State

GEORGE GLENN HATCHER, SECRETARY

CERTIFICATE OF AMENDMENT

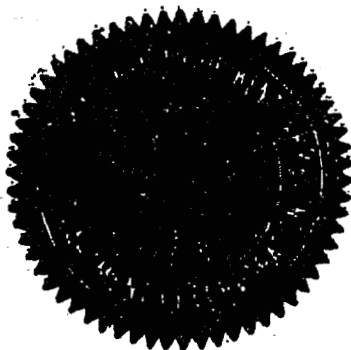
I, GEORGE GLENN HATCHER, Secretary of State, do hereby certify that the triplicate originals of the articles of amendment of

Fern Lake Company, Louisville, Kentucky changing place of business to
Middlesboro, Kentucky.

delivered to me are found to be duly signed and acknowledged according to law; that all taxes, fees and charges have been paid; and one original copy is filed and recorded in this office.

This certificate with two original articles of amendment indorsed with the fact and time of recording in this office have been returned to the corporation. The amendment, certifying the time and manner of the adoption thereof, statement of the purposes of said amendment and the changes to be effected, signed and acknowledged according to law by the proper officials of said corporation, and the issuance of this certificate, is evidence of the fact that the above named corporation articles have been amended.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal. Done at Frankfort, this 26th day of August 19 49.



SECRETARY OF STATE

George Glenn Hatcher
Secretary of State, Commonwealth of Kentucky

By _____
Deputy, Corporation Clerk

ARTICLES OF AMENDMENT
TO
ARTICLES OF INCORPORATION
OF
FERN LAKE COMPANY

KNOW ALL MEN BY THESE PRESENTS: That HOWARD ASHER as President, and BILL WOODSON as Secretary of FERN LAKE COMPANY, a Kentucky corporation, do hereby certify that all of the stockholders who would have been entitled to vote upon the amendment to its Articles of Incorporation set forth below if a meeting for such purpose had been held, have consented in writing that ARTICLE II and ARTICLE IV of the Articles of Incorporation of Fern Lake Company shall be amended so that said Articles, as amended, shall be as follows:

ARTICLE II

The address of the registered office of the Corporation and the address of Bill Woodson, the registered agent of the Corporation, is 2017 Cumberland Avenue, Middlesboro, Kentucky.

ARTICLE IV

The total authorized number of shares shall be two thousand (2,000) shares of common stock with a par value of ten dollars (\$10.00) per share. The amount of capital with which the Corporation will begin business is one thousand

dollars. (\$1,000.00).

IN TESTIMONY WHEREOF, witness our signatures
this 20th day of August, 1949.

Howard Asher
Howard Asher, President
Hill Woodson
Hill Woodson, Secretary

Y 900 JAN 1950
STATE OF KENTUCKY)
COUNTY OF BELL) SS

I, the undersigned, a Notary Public in and for the State and County aforesaid, do hereby certify that the foregoing instrument, being the Articles of Amendment to the Articles of Incorporation of Fern Lake Company, was this day produced before me in said County and acknowledged and delivered by Howard Asher and Hill Woodson, the President and Secretary, respectively, of Fern Lake Company, to be their act and deed.

WITNESS my signature and seal of office, this 20th day of August, 1949.

My commission expires June 9, 1953.

(SEAL)

[Signature]
Notary Public, Bell County, Ky.

17270 ✓

Commonwealth of Kentucky

Department of State



Office of Secretary of State

THELMA L. STOVALL, SECRETARY

ARTICLES OF AMENDMENT

I, THELMA L. STOVALL, Secretary of State of the Commonwealth of Kentucky, do hereby certify that Articles of Incorporation of

PBRN LAKE COMPANY

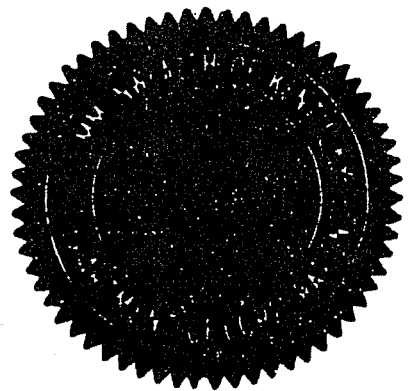
Lexington, Kentucky

have been amended pursuant to Articles of Amendment, duly signed and acknowledged according to law, this day filed in my office by said corporation, and that all taxes, fees and charges payable upon the filing of said Articles of Amendment have been paid.

Witness my official signature this 5th day of May, 19 72.

Thelma L. Stovall
Secretary of State

Francis M. Lewis
Assistant Secretary of State



SECRETARY OF STATE

ORIGINAL COPY
FILED AND RECORDED
SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY

MAY 5 1972

Articles of Amendment
To
Articles of Incorporation
Of
Fern Lake Company

Philip L. Stoggs
SECRETARY OF STATE
Francis M. James
ASS. SEC. OF STATE

RECEIVED
MAY 5 1972
CL. 4.27
136854
Commonwealth of Kentucky

KNOW ALL MEN BY THESE PRESENTS: That Robert M. Watt, Jr. as President, and Arthur E. Abshire as Secretary, of Fern Lake Company, a Kentucky Corporation, do hereby certify that all shareholders of Fern Lake Company entitled to vote upon an Amendment to the Articles of Incorporation of Fern Lake Company, said Amendment being as set forth below, at a meeting duly held for this purpose on February 26, 1965, and at a subsequent Directors Meeting held March 22, 1967, authorized the Amendment of Article IV of the Articles of Incorporation of Fern Lake Company, so that said Article IV, being an Amendment authorizing the Reduction of Capital of Fern Lake Company, shall be as follows:

Article IV - Reduction of Capital

The total authorized number of shares shall be 1,300 shares of common stock with a par value of \$10 per share, effective with the recording of these Articles of Amendment, 700 additional previously authorized shares having been redeemed by the Corporation from the Estates of Robert M. Watt and Elizabeth Watt. The amount of capital stock with which the Corporation will continue business is \$13,000, and this proposed capital reduction does not reduce the fair value of the corporate assets to an amount less than the total amount of its corporate debts and liabilities, and does not render the corporation incapable of paying its debts in the ordinary course of business.

IN WITNESS WHEREOF, witness our signature this 25 day of April, 1972.

Robert M. Watt Jr
Robert M. Watt, Jr., President

Arthur E. Abshire
Arthur E. Abshire, Secretary

State of Kentucky)
County of Fayette)

I, the undersigned, a Notary Public in and for the State and County aforesaid, do hereby certify that the foregoing instrument being the Articles of Amendment to the Articles of Incorporation of Fern Lake Company, was this date produced before me in said County, acknowledged and delivered by Robert M. Watt, Jr. and Arthur E. Abshire, the President and Secretary respectively, Fern Lake Company, to be their act and deed as said officers.

Witness my signature and Seal of Office this 25 day of April, 1972.

My Commission Expires
NOTARY PUBLIC - KY. STATE AT LARGE
MY COMMISSION EXPIRES APRIL 11, 1975

Arthur E. Abshire
Prepared By Arthur E. Abshire
April 10, 1972 - Attorney at Law
Lexington, Kentucky 40503

Hemra S. Price
Notary Public

NOTICE OF APPLICTION OF
FERN LAKE COMPANY
TO ADJUST RATES FOR WATER SERVICE
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
April 24, 2013

Pursuant to the Public Service Commission's regulation 807 KAR 5:076, Fern Lake Company gives notice that an application has been filed with the Public Service Commission seeking approval to adjust its rates for water service. If Fern Lake Company's application is accepted, monthly water bills from Fern Lake Company will increase as indicated below. The rates listed below, which are an increase of \$5,383.00 per month or approximately a 75.82% average increase over the current rates, are to be effective June 1, 2013, or sooner if approved by the Public Service Commission.

CURRENT RATE:

Base Rate First 41,667,000 gallons	\$7,100.00
Additional 1,000 gallons	\$0.18

PROPOSED RATE:

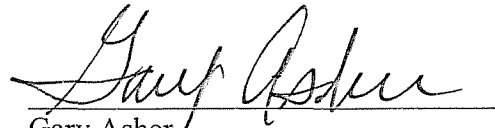
Base Rate First 41,667,000 gallons	\$12,483.00
Additional 1,000 gallons	\$0.30

The average usage is 38,359,333 gallons per month, which means the average bill will increase by approximately \$5,383.00 or 75.82%.

The rates contained in this notice are the rates proposed by Fern Lake Company, but the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

Any corporation, association, or person may within thirty (30) days after the date of mailing this notice of the proposed rate change, submit a written request to intervene to the Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request and including the status and interest of the party.

Copies of Fern Lake's application may be obtained or viewed at no charge from Fern Lake Company at 34 Appolo Fuels Road, Middlesboro, Kentucky 40965. The application and all documents filed with the Public Service Commission may be viewed and downloaded at the Public Service Commission's Web site at <http://psc.ky.gov/>.



Gary Asher
Fern Lake Company
President

AFFIDAVIT

The affiant, Gary Asher, being first duly sworn states the following under oath:

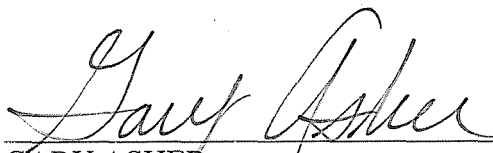
1. I am the President and Principal Officer within Kentucky of Fern Lake Company.
2. As part of my duties I supervise the monthly billing and mailing of Fern Lake

Company.

3. The attached Notice to Customer of the proposed rate increase was mailed to Fern Lake Company's sole customer, Utilities Inc., on April 24, 2013.

4. The attached Notice to Customer of the proposed rate increase has also been posted at Fern Lake Company's principal place of business located at 34 Appolo Fuels Road, Middlesboro, Kentucky 40965. The notice will remain posted until the Commission has issued a final decision in this matter.

FURTHER, the affiant sayeth naught.



GARY ASHER

STATE OF KENTUCKY)
)sc
COUNTY OF BELL)

Subscribed, sworn and acknowledged to before me by Gary Asher this 24th day of April, 2013.

My Commission Expires: 9/22/15.



NOTARY PUBLIC, STATE AT LARGE

REASONS FOR APPLICATION

(In the space below list all reasons why the Applicant requires a rate adjustment. Describe any event or occurrence of significance that may affect the Applicant's present or future financial condition, including but not limited to excessive water line losses, regulatory changes, major repairs, planned construction, and increases in wholesale water costs.)

Fern Lake Company petitions the Commission for an order approving an adjustment of rates, in order to have the financial stability to provide safe and reliable service. The Commission's alternative rate filing formula generates a fair and reasonable return on Fern Lake's investment. In addition, if this rate adjustment is approved, Fern Lake will no longer be operating at a loss. Fern Lake's loss for the calendar year 2012 was \$60,455.00.

Fern Lake's current rate became effective on January 1, 1987 pursuant to case number 7982.

CURRENT AND PROPOSED RATES
(List Applicant's Current and Proposed Rates)

CURRENT RATES:

Base Rate First 41,667,000 gallons	\$7,100.00
Each Additional 1,000 gallons	0.18

PROPOSED RATES:

Base Rate First 41,667,000 gallons	\$12,483.00
Each Additional 1,000 gallons	0.30

SCHEDULE OF ADJUSTED OPERATIONS - WATER UTILITY

TYE 12/31/20 12

	Test Year	Adjustment	Ref.	Pro Forma
<u>Operating Revenues</u>				
Sales of Water				
Unmetered Water Sales	85,200.00	64,596.01	A	149,796.01
Metered Water Sales				0.00
Bulk Loading Stations				0.00
Fire Protection Revenue				0.00
Sales for Resale				0.00
Total Sales of Water	85,200.00	64,596.01		149,796.01
Other Water Revenues				
Forfeited Discounts				0.00
Miscellaneous Service Revenues				0.00
Rents from Water Property		3,800.00	B	3,800.00
Other Water Revenues				0.00
Total Other Water Revenues	0.00	3,800.00		3,800.00
Total Operating Revenues	85,200.00	68,396.01		153,596.01
<u>Operating Expenses</u>				
Operation and Maintenance Expenses				
Salaries and Wages - Employees	93,109.00	3,800.00	C	96,909.00
Salaries and Wages - Officers				0.00
Employee Pensions and Benefits	15,939.31			15,939.31
Purchased Water				0.00
Purchased Power				0.00
Fuel for Power Production				0.00
Chemicals				0.00
Materials and Supplies				0.00
Contractual Services				0.00
Water Testing				0.00
Rents				0.00
Transportation Expenses				0.00
Insurance	5,174.40			5,174.40
Regulatory Commission Expenses	1,613.44			1,613.44
Bad Debt Expense				0.00

Miscellaneous Expenses	1,340.00		1,340.00
Total Operation and Maintenance Expenses	117,176.15	3,800.00	120,976.15
Depreciation Expense			0.00
Amortization Expense			0.00
Taxes Other Than Income	14,644.34		14,644.34
Income Tax Expense	13,835.00		13,835.00
Total Operating Expenses	145,655.49	3,800.00	149,455.49
Utility Operating Income	-60,455.49	64,596.01	4,140.52

References

A
Normalized Revenue as determined by Fern Lake Company Staff.

B
Revenues realized from third party recreational use of the lake.

C
Compensation adjustment

REVENUE REQUIREMENT CALCULATION - OPERATING RATIO METHOD

(This method is commonly used by investor owned utilities as well as non-profit entities that do not have long-term debts outstanding.)

Pro forma Operating Expenses Before Income Taxes	\$131,820.49
Operating Ratio	0.88
Sub-Total	149,796.01
Less: Pro forma Operating Expenses Before Income Taxes	-131,820.49
Net Income Allowable	17,975.52
Add: Provision for State and Federal Income Taxes, if Applicable (see footnote)	
Interest Expense	
Pro forma Operating Expenses Before Taxes	131,820.49
Total Revenue Requirement	149,796.01
Less: Other Operating Revenue	
Non-operating Revenue	
Interest Income	
Total Revenue Required from Rates for Service	149,796.01
Less: Revenue from Sales at Present Rates	-85,200.00
Required Revenue Increase	64,596.01
Required Revenue Increase stated as a Percentage of Revenue at Present Rates	75.82%

Provision for Income Taxes - Calculation of Tax Gross-Up Factor

Revenue	1
Less: 5% State Tax	-0.05
Sub-Total	0.95
Less: Federal Tax, 15% of Sub-Total	-0.1425
Percent Change in NOI	0.8075
Factor (Revenue of 1 divided by change in NOI)	1.23839
Times: Allowable Net Income	17,975.52
Net Income Before Taxes	22,260.71
Difference Equals Provision for State and Federal Income Taxes	4,285.19

Notes: (1) Natural gas utilities should deduct their cost of natural gas from pro forma operating expenses before performing the operating ratio calculation. The cost of natural gas should be added back and included in pro forma operating expenses when determining the total revenue requirement. (2) A provision for state and federal income taxes should only be included in the calculation of revenue requirements for utilities that file income tax returns and are liable for the payment of state and federal income taxes. Utilities whose income flows through to its owner's income tax returns for tax purposes should not include a provision for income taxes. (3) The conversion factor above is calculated using the minimum federal tax rate. Adjustment may be warranted where the actual federal tax rate exceeds the minimum federal tax rate.

USAGE TABLE
Usage by Rate Increment

Class: Commercial

Sheet 4 of 4

(1)	(2) Bills	(3) Gallons/Md	(4)	(5)	(6)	(7)	(8)	(9) Total
First 41,667,000 gallons	12	38,359,333						38,359,333 average
Each additional 1000 gallons	0	0						0
Totals	12	38,359,333						38,359,333

REVENUE TABLE
Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Md	(4) Rates	(5) Revenue
First 41,667,000 gallons	12	38,359,333	\$12,483.00 Minimum Bill	\$149,796.00
Each additional 1,000 gallons	0	0	\$0.30	0
Totals	12	38,359,333		\$149,796.00

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

For calendar year 2011 or tax year beginning

, and ending

A S election effective date 12/31/1986	TYPE OR PRINT	Name FERN LAKE COMPANY	D Employer identification number
B Business activity code number (see instructions) 221300		Number, street, and room or suite no. If a P.O. box, see instructions. P.O. BOX 1727	E Date incorporated 02/21/1949
C Check if Sch. M-3 attached <input type="checkbox"/>		City or town, state, and ZIP code MIDDLESBORO, KY 40965	F Total assets (see instructions) \$ 30,920.

G Is the corporation electing to be an S corporation beginning with this tax year? Yes No If "Yes," attach Form 2553 if not already filed

H Check if: (1) Final return (2) Name change (3) Address change (4) Amended return (5) S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ▶ 2

Caution: Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information.

Income	1 a	Merchant card and third-party payment. For 2011, enter -0-	0.	b Gross receipts or sales not reported on line 1a	85,383.	c Total. Add lines 1a and 1b	▶	1c	85,383.		
	d	Returns and allowances plus any other adjustments (see instrs.)		e Subtract line 1d from line 1c				1e	85,383.		
	2	Cost of goods sold (attach Form 1125-A)						2			
	3	Gross profit. Subtract line 2 from line 1e						3	85,383.		
	4	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)						4			
	5	Other income (loss) (attach statement)						5			
6	Total income (loss). Add lines 3 through 5							▶	6	85,383.	
Deductions (See instructions for limitations)	7	Compensation of officers						7			
	8	Salaries and wages (less employment credits)						8			
	9	Repairs and maintenance						9			
	10	Bad debts						10			
	11	Rents						11			
	12	Taxes and licenses			STATEMENT 1			12	7,285.		
	13	Interest						13			
	14	Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)						14			
	15	Depletion (Do not deduct oil and gas depletion.)						15			
	16	Advertising						16			
	17	Pension, profit-sharing, etc., plans						17			
	18	Employee benefit programs						18			
	19	Other deductions (attach statement)			STATEMENT 2			19	2,262.		
	20	Total deductions. Add lines 7 through 19							▶	20	9,547.
	21	Ordinary business income (loss). Subtract line 20 from line 6							▶	21	75,836.
Tax and Payments	22 a	Excess net passive income or LIFO recapture tax (see instructions)		22a							
	b	Tax from Schedule D (Form 1120S)		22b							
	c	Add lines 22a and 22b						22c			
	23 a	2011 estimated tax payments and 2010 overpayment credited to 2011		23a							
	b	Tax deposited with Form 7004		23b							
	c	Credit for federal tax paid on fuels (attach Form 4136)		23c							
	d	Add lines 23a through 23c						23d			
24	Estimated tax penalty (see instructions). Check if Form 2220 is attached						24				
25	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed								25		
26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid								26		
27	Enter amount from line 26 Credited to 2012 estimated tax							▶	27		

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here ▶ _____ ▶ **CHIEF FINANCIAL OFFICER**

Signature of officer _____ Date _____ Title _____

May the IRS discuss this return with the preparer shown below (see instr.)?
 Yes No

Paid Preparer Use Only	Print/type preparer's name KEVIN MCCOLLUM, CPA	Preparer's signature 	Date 09/17/12	Check if self-employed <input type="checkbox"/>	PTIN
	Firm's name ▶ COULTER & JUSTUS, P.C.	Firm's EIN ▶			
	Firm's address ▶ 9717 COGDILL ROAD, SUITE 201 KNOXVILLE, TN 37932	Phone no. 865-637-4161			

Schedule B Other Information (see instructions)	Yes	No
1 Check accounting method: (a) <input type="checkbox"/> Cash (b) <input checked="" type="checkbox"/> Accrual (c) <input type="checkbox"/> Other (specify) ▶		
2 See the instructions and enter the: (a) Business activity ▶ WATER SUPPLY (b) Product or service ▶ WATER		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a qualified subchapter S subsidiary election made?		X
4 Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, provide information on any reportable transaction?		X
5 Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
6 If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years ▶ \$ _____		
7 Enter the accumulated earnings and profits of the corporation at the end of the tax year \$ _____		
8 Are the corporation's total receipts (see instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L and M-1	X	
9 During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If "Yes," see instructions		X
10a Did the corporation make any payments in 2011 that would require it to file Form(s) 1099 (see instructions)?		X
b If "Yes," did the corporation file or will it file all required Forms 1099?		

Schedule K Shareholders' Pro Rata Share Items		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 21)	1	75,836.
	2 Net rental real estate income (loss) (attach Form 8825)	2	
	3a Other gross rental income (loss)	3a	
	b Expenses from other rental activities (attach statement)	3b	
	c Other net rental income (loss). Subtract line 3b from line 3a	3c	
	4 Interest income	4	
	5 Dividends: a Ordinary dividends	5a	
	b Qualified dividends	5b	
	6 Royalties	6	
	7 Net short-term capital gain (loss) (attach Schedule D (Form 1120S))	7	
8a Net long-term capital gain (loss) (attach Schedule D (Form 1120S))	8a		
b Collectibles (28%) gain (loss)	8b		
c Unrecaptured section 1250 gain (attach statement)	8c		
9 Net section 1231 gain (loss) (attach Form 4797)	9		
10 Other income (loss) (see instructions) ... Type ▶	10		

		Shareholders' Pro Rata Share Items (continued)	Total amount	
Deductions	11	Section 179 deduction (attach Form 4562)	11	
	12 a	Contributions	12a	
		b Investment interest expense	12b	
		c Section 59(e)(2) expenditures (1) Type	12c(2)	
		(2) Amount	12d	
	d Other deductions (see instructions) Type			
Credits	13 a	Low-income housing credit (section 42(j)(5))	13a	
		b Low-income housing credit (other)	13b	
		c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)	13c	
		d Other rental real estate credits (see instructions) Type	13d	
		e Other rental credits (see instructions) Type	13e	
		f Alcohol and cellulosic biofuel fuels credit (attach Form 6478)	13f	
		g Other credits (see instructions) Type	13g	
Foreign Transactions	14 a	Name of country or U.S. possession		
		b Gross income from all sources	14b	
		c Gross income sourced at shareholder level	14c	
		Foreign gross income sourced at corporate level		
		d Passive category	14d	
		e General category	14e	
		f Other (attach statement)	14f	
		Deductions allocated and apportioned at shareholder level		
		g Interest expense	14g	
		h Other	14h	
		Deductions allocated and apportioned at corporate level to foreign source income		
		i Passive category	14i	
		j General category	14j	
		k Other (attach statement)	14k	
	Other information			
	l Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	14l		
	m Reduction in taxes available for credit (attach statement)	14m		
	n Other foreign tax information (attach statement)			
Alternative Minimum Tax (AMT) Items	15 a	Post-1986 depreciation adjustment	15a	
		b Adjusted gain or loss	15b	
		c Depletion (other than oil and gas)	15c	
		d Oil, gas, and geothermal properties - gross income	15d	
		e Oil, gas, and geothermal properties - deductions	15e	
		f Other AMT items (attach statement)	15f	
Items Affecting Shareholder Basis	16 a	Tax-exempt interest income	16a	
		b Other tax-exempt income	16b	
		c Nondeductible expenses	16c	
		d Distributions (attach statement if required)	16d	76,600.
		e Repayment of loans from shareholders	16e	
Other Information	17 a	Investment income	17a	
		b Investment expenses	17b	
		c Dividend distributions paid from accumulated earnings and profits	17c	
		d Other items and amounts (attach statement)		
Reconciliation	18	Income/loss reconciliation. Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and 14l	18	75,836.

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash		1,298.		535.
2 a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (att. stmt.)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (att. stmt.)				
10 a	Buildings and other depreciable assets	49,225.		49,225.	
b	Less accumulated depreciation	49,225.	0.	49,225.	0.
11 a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)		23,834.		23,833.
13 a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
14	Other assets (att. stmt.)	STATEMENT 3	6,552.		6,552.
15	Total assets		31,684.		30,920.
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (att. stmt.)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more		219,279.		219,279.
21	Other liabilities (att. stmt.)				
22	Capital stock		13,000.		13,000.
23	Additional paid-in capital				
24	Retained earnings	STATEMENT 4	-200,595.		-201,359.
25	Adjustments to shareholders' equity (att. stmt.)				
26	Less cost of treasury stock		()		()
27	Total liabilities and shareholders' equity		31,684.		30,920.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return
 Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more - see instructions

1	Net income (loss) per books	75,836.	5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize): a Tax-exempt interest \$ _____	
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize): _____		6	Deductions included on Schedule K, lines 1 through 12 and 14I, not charged against book income this year (itemize): a Depreciation \$ _____ b Travel and entertainment \$ _____	
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 14I (itemize): a Depreciation \$ _____ b Travel and entertainment \$ _____		7	Add lines 5 and 6	
4	Add lines 1 through 3	75,836.	8	Income (loss) (Schedule K, line 18). Line 4 less line 7	75,836.

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see instructions)

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1	Balance at beginning of tax year	8,336.	
2	Ordinary income from page 1, line 21	75,836.	
3	Other additions		
4	Loss from page 1, line 21	()	
5	Other reductions	()	
6	Combine lines 1 through 5	84,172.	
7	Distributions other than dividend distributions	76,600.	
8	Balance at end of tax year. Subtract line 7 from line 6	7,572.	



FORM 1120S	TAXES AND LICENSES	STATEMENT	1
DESCRIPTION		AMOUNT	
PROPERTY TAX			130.
STATE INCOME TAX			7,155.
TOTAL TO FORM 1120S, PAGE 1, LINE 12			7,285.

FORM 1120S	OTHER DEDUCTIONS	STATEMENT	2
DESCRIPTION		AMOUNT	
LEGAL & ACCOUNTING			905.
OTHER EXPENSES			1,357.
TOTAL TO FORM 1120S, PAGE 1, LINE 19			2,262.

SCHEDULE L	OTHER ASSETS	STATEMENT	3
DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR	
OTHER ASSETS	6,552.	6,552.	
TOTAL TO SCHEDULE L, LINE 14	6,552.	6,552.	

SCHEDULE L	ANALYSIS OF TOTAL RETAINED EARNINGS PER BOOKS	STATEMENT	4
DESCRIPTION		AMOUNT	
BALANCE AT BEGINNING OF YEAR			-200,595.
NET INCOME PER BOOKS			75,836.
DISTRIBUTIONS			-76,600.
OTHER INCREASES (DECREASES)			
BALANCE AT END OF YEAR - SCHEDULE L, LINE 24, COLUMN (D)			-201,359.

Schedule K-1
(Form 1120S)

2011

Final K-1 Amended K-1

OMB No. 1545-0130

Department of the Treasury
Internal Revenue Service

For calendar year 2011, or tax
year beginning _____
ending _____

Shareholder's Share of Income, Deductions, Credits, etc. ▶ See separate instructions.

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items			
1	Ordinary business income (loss)	13	Credits
	37,918.		
2	Net rental real estate inc (loss)		
3	Other net rental income (loss)		
4	Interest income		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured sec 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative min tax (AMT) items
11	Section 179 deduction	16	Items affecting shareholder basis
		D	38,300.
12	Other deductions		
		17	Other information
*See attached statement for additional information.			

Part I Information About the Corporation

A Corporation's employer identification number
[REDACTED]

B Corporation's name, address, city, state, and ZIP code

FERN LAKE COMPANY
P.O. BOX 1727
MIDDLESBORO, KY 40965

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number
[REDACTED]

E Shareholder's name, address, city, state and ZIP code

LARRY ASHER
11904 APPLETON WAY, UNIT 13
KNOXVILLE, TN 37922

F Shareholder's percentage of stock ownership for tax year _____ 50.000000%

For IRS Use Only

720S
41A720S

Kentucky
UNBRIDLED SPIRIT



A 07584

Kentucky Corporation/LLET Account Number

Department of Revenue

See instructions.

KENTUCKY S CORPORATION
INCOME TAX AND LLET RETURN

2011

Taxable period beginning **JAN 1**, 2011, and ending **DEC 31, 2011**

B Check applicable box(es): LLET Receipts Method <input type="checkbox"/> Gross Receipts <input type="checkbox"/> Gross Profits <input checked="" type="checkbox"/> \$175 minimum Nonfiling Status Code Enter Code _____	D Federal Identification Number _____ Name of S Corporation FERN LAKE COMPANY Number and Street P.O. BOX 1727 City State ZIP Code Telephone Number MIDDLESBORO KY 40965 (606)248-1535 E Check if applicable: <input type="checkbox"/> Qualified investment pass-through entity <input type="checkbox"/> LLC <input type="checkbox"/> Initial return <input type="checkbox"/> Final return (attach explanation) <input type="checkbox"/> Short-period return (attach explanation) <input type="checkbox"/> Amended return <input type="checkbox"/> Change of name <input type="checkbox"/> Change of address <input type="checkbox"/> Change of accounting period F Number of Shareholders (Attach K-1s) 2 Number of QSSSs Included in This Return (Attach Schedule) _____	Taxable Year 12 / 11 Ending Mo. Yr. State and Date of Incorporation KENTUC02/21/1949 Principal Business Activity in KY WATER SUPPLY NAICS Code Number (Relating to Kentucky Activity) (See www.census.gov) 221300
---	--	--

PART I - ORDINARY INCOME (LOSS) COMPUTATION			PART III - INCOME TAX COMPUTATION		
1. Federal ordinary income (loss) (see instructions)	1	75,836	9. Film industry tax credit	9	
ADDITIONS			10. Extension payment	10	175
2. State taxes based on net/gross income	2		11. Prior year's tax credit	11	
3. Federal depreciation (do not include Section 179 expense deduction)	3		12. Income tax overpayment from Part III, line 11	12	
4. Related party expenses	4		13. LLET due (line 6 less lines 7 through 12)	13	
5. Other (attach Schedule O-PTE)	5		14. LLET overpayment (lines 7 through 12 less line 6)	14	
6. Total (add lines 1 through 5)	6	75,836	15. Credited to 2011 income tax	15	
SUBTRACTIONS			16. Credited to 2012 LLET	16	
7. Federal work opportunity credit	7		17. Amount to be refunded	17	
8. Kentucky depreciation (do not include Section 179 expense deduction)	8				
9. Other (attach Schedule O-PTE)	9		1. Excess net passive income tax	1	
10. Kentucky ordinary income (loss) (line 6 less lines 7 through 9)	10	75,836	2. Built-in gains tax	2	
			3. Tax installment on LIFO recapture	3	
			4. Total (add lines 1 through 3)	4	
			5. Estimated tax payments	5	
			<input type="checkbox"/> Check if Form 2220-K attached	5	
			6. Extension payment	6	
			7. Prior year's tax credit	7	
			8. LLET overpayment from Part II, line 15	8	
			9. Income tax due (line 4 less lines 5 through 8)	9	
			10. Income tax overpayment (lines 5 through 8 less line 4)	10	
			11. Credited to 2011 LLET	11	
			12. Credited to 2012 corporation income tax	12	
			13. Amount to be refunded	13	

TAX PAYMENT SUMMARY (Round to nearest dollar)				Federal Form 1120S, all pages and any supporting schedules must be attached.
LLET		INCOME		Make check payable to: Kentucky State Treasurer Mail return with payment to: Kentucky Department of Revenue Frankfort, Kentucky 40620
1. LLET due (Part II, Line 13) \$	_____	1. Income tax due (Part III, Line 9) \$	_____	
2. Penalty \$	_____	2. Penalty \$	_____	
3. Interest \$	_____	3. Interest \$	_____	
4. Subtotal \$	_____	4. Subtotal \$	_____	
TOTAL PAYMENT (Add Subtotals)	_____			

Commonwealth of Kentucky
DEPARTMENT OF REVENUE



SCHEDULE Q - KENTUCKY S CORPORATION QUESTIONNAIRE

IMPORTANT: Questions 4 - 10 must be completed by all S corporations. If this is the S corporation's initial return or if the S corporation did not file a return under the same name and same federal I.D. number for the preceding year, questions 1, 2 and 3 must be answered. Failure to do so may result in a request for a delinquent return.

d. Change from a Calendar Year to a Fiscal Year (52/53 week filer):
New Year End:

Month _____ and day of week _____

If a 52/53 week filer: (Choose one of the options below.)

i. Option A: Ends on the same day of the week and whatever date this same day of the week last occurs in a calendar month.

ii. Option B: Ends on the same day of the week and whatever date this same day of the week occurs that is the nearest to the last day of the calendar month

1. Indicate whether: (a) new business; (b) successor to previously existing business which was organized as: (1) corporation; (2) partnership; (3) sole proprietorship; or (4) other

If successor to previously existing business, give name, address and federal I.D. number of the previous business organization.

2. List the following *Kentucky* account numbers. Enter N/A for any number not applicable.

Employer Withholding _____
Sales and Use Tax Permit _____
Consumer Use Tax _____
Unemployment Insurance _____
Coal Severance and/or Processing Tax _____

3. If a foreign S corporation, enter the date qualified to do business in Kentucky.

4. If change of accounting period, Item E on page 1, is checked, complete the following information:

Year End before the change:

Month _____ and Day _____

a. Change from a Fiscal Year to a Calendar Year (NOT a 52/53 week filer)

b. Change from a Calendar Year to a Fiscal Year (NOT a 52/53 week filer):
New Year End:
Month _____ and Day _____

c. Change from a Fiscal Year to a Calendar Year (52/53 week filer):
New Year End: December and day of week _____

5. The S corporation's books are in care of: (name and address)

GARY ASHER
684 CHAPEL POINT, KNOXVILLE, TN

6. Are disregarded entities included in this return? Yes No

If yes, list name, address and federal I.D. number of each entity.

7. Was the S corporation a partner or member in a pass-through entity doing business in Kentucky? Yes No

If yes, list name and federal I.D. number of each pass-through entity.

Was the S corporation doing business in Kentucky other than through its interest held in a pass-through entity doing business in Kentucky?

Yes No

8. Was this return prepared on: (a) cash basis, (b) accrual basis, (c) other

9. Did the S corporation file a Kentucky tangible personal property tax return for January 1, 2012? Yes No

10. Is the S corporation currently under audit by the Internal Revenue Service? Yes No If yes, enter years under audit _____

If the Internal Revenue Service has made final and unappealable adjustments to the corporation's taxable income which have not been reported to the department, check here and file an amended Form 720S for each year adjusted. Attach a copy of the final determination to each amended return.

OFFICER INFORMATION (Failure to Provide Requested Information May Result in a Penalty)

Has the officer information entered below changed from the last return filed? Yes No

President's Name: **GARY ASHER**

Treasurer's Name: **SAL GAUDIANO**

President's Home Address: **684 CHAPEL POINT KNOXVILLE TN 37922**

Treasurer's Home Address: **620 CAMPBELL STATION ROA KNOXVILLE TN 37922**

President's Social Security Number: [REDACTED]

Treasurer's Social Security Number: [REDACTED]

Date Became President _____

Secretary's Name: **LARRY ASHER**

Vice President's Name: _____

Secretary's Home Address: **11904 APPLETON WAY**

Vice President's Home Address: _____

UNIT 13 TN37922

Vice President's Social Security Number: _____

Secretary's Social Security Number: [REDACTED]

I, the undersigned, declare under the penalties of perjury, that I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of principal officer or chief accounting officer

Date

COULTER & JUSTUS, P.C.

SSN, PTIN or FEIN

Date

May the DOR discuss this return with the preparer?

Yes No

Email Address:

Telephone No.: **865-637-4161**

www.revenue.ky.gov



Commonwealth of Kentucky
DEPARTMENT OF REVENUE

SCHEDULE K - SHAREHOLDERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I	(a) Pro Rata Share Items	(b) Total Amount
Income (Loss) and Deductions		
1. Kentucky ordinary income (loss) from trade or business activities (page 1, Part I, line 10)	1	75,836
2. Net income (loss) from rental real estate activities (attach federal Form 8825)	2	
3. (a) Gross income from other rental activities	3(a)	
(b) Less expenses from other rental activities (attach schedule)	(b)	
(c) Net income (loss) from other rental activities (line 3a less line 3b)	3(c)	
4. Portfolio income (loss):		
(a) Interest income	4(a)	
(b) Dividend income	(b)	
(c) Royalty income	(c)	
(d) Net short-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)	(d)	
(e) Net long-term capital gain (loss) (attach federal Schedule D and Kentucky Schedule D, if applicable)	(e)	
(f) Other portfolio income (loss) (attach schedule)	(f)	
5. Section 1231 net gain (loss) (other than due to casualty or theft) (attach federal and Kentucky Forms 4797)	5	
6. Other income (loss) (attach schedule)	6	
7. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)	7	
8. IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562)	8	
9. Deductions related to portfolio income (loss) (attach schedule)	9	
10. Other deductions (attach schedule)	10	
Investment Interest		
11. (a) Interest expense on investment debts	11(a)	
(b) (1) Investment income included on lines 4(a), 4(b), 4(c) and 4(f) above	(b)(1)	
(2) Investment expenses included on line 9 above	(2)	
Tax Credits		
12. Kentucky Small Business Investment Tax Credit (attach KEDFA notification)	12	
13. Skills Training Investment Tax Credit (attach copy of certification(s))	13	
14. Certified Rehabilitation Tax Credit (attach copy of certification(s))	14	
15. Kentucky Unemployment Tax Credit (attach Schedule UTC)	15	
16. Recycling/Composting Equipment Tax Credit (attach Schedule RC)	16	
17. Kentucky Investment Fund Tax Credit (attach KEDFA notification)	17	
18. Coal Incentive Tax Credit (attach Schedule CI)	18	
19. Qualified Research Facility Tax Credit (attach Schedule QR)	19	
20. GED Incentive Tax Credit (attach Form DAEL-31)	20	
21. Voluntary Environmental Remediation Tax Credit (attach Schedule VERB)	21	
22. Biodiesel Tax Credit (attach Schedule BIO)	22	
23. Environmental Stewardship Tax Credit (attach Schedule KESA)	23	

Schedule K



Commonwealth of Kentucky
DEPARTMENT OF REVENUE

SCHEDULE K - SHAREHOLDERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.

SECTION I - continued	(a) Pro Rata Share Items	(b) Total Amount
Tax Credits - continued		
24. Clean Coal Incentive Tax Credit (attach Schedule CCI)	24	
25. Ethanol Tax Credit (attach Schedule ETH)	25	
26. Cellulosic Ethanol Tax Credit (attach Schedule CELL)	26	
Form 5695-K Pass-through Amounts (attach Form 5695-K)		
27. Energy Efficiency Products Tax Credit from Form 5695-K, line 6	27	
28. Energy Efficiency Products Tax Credit from Form 5695-K, line 12	28	
29. Energy Efficiency Products Tax Credit from Form 5695-K, line 18	29	
30. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	30	
31. Energy Efficiency Products Tax Credit from Form 5695-K, line 36	31	
32. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	32	
33. Energy Efficiency Products Tax Credit from Form 5695-K, line 51	33	
34. Energy Efficiency Products Tax Credit from Form 5695-K, line 57	34	
35. Energy Efficiency Products Tax Credit from Form 5695-K, line 63	35	
36. Railroad Maintenance and Improvement Tax Credit (attach Schedule RR-1)	36	
37. Endow Kentucky Tax Credit (attach Schedule ENDOW)	37	
Other Items		
38. (a) Type of Section 59(e)(2) expenditures ▶	38(a)	
(b) Amount of Section 59(e)(2) expenditures	(b)	
39. Tax-exempt interest income	39	
40. Other tax-exempt income	40	
41. Nondeductible expenses	41	
42. Total property distributions (including cash) other than dividends reported on line 42 below	42	76,600
43. Other items and amounts required to be reported separately to shareholders (attach schedule)	43	
44. Total dividend distributions paid from accumulated earnings and profits	44	
SECTION II - Pass-through Items		
1. S corporation's Kentucky sales from Schedule A, Section I, line 1	1	
2. S corporation's total sales from Schedule A, Section I, line 2	2	
3. S corporation's Kentucky property from Schedule A, Section I, line 5	3	
4. S corporation's total property from Schedule A, Section I, line 6	4	
5. S corporation's Kentucky payroll from Schedule A, Section I, line 8	5	
6. S corporation's total payroll from Schedule A, Section I, line 9	6	
7. S corporation's Kentucky gross profits from Schedule LLET, Section A, Column A, line 5	7	
8. S corporation's total gross profits from all sources from Schedule LLET, Section A, Column B, line 5	8	
9. Limited liability entity tax (LLET) nonrefundable credit from page 1, Part II, the total of lines 4 and 6, less \$175	9	



LIMITED LIABILITY ENTITY TAX
KRS 141.0401

- ▶ See instructions.
- ▶ Attach to Form 720, 720S, 725 or 765.

Member of a Combined Group
 Reason Code

Name of Corporation or Limited Liability Pass-through Entity	Federal Identification Number	Kentucky Corporation/LLET Account No.
FERN LAKE COMPANY	[REDACTED]	[REDACTED]

Check this box and complete Schedule LLET-C, Limited Liability Entity Tax - Continuation Sheet, if the corporation or limited liability pass-through entity filing this tax return is a partner or member of a limited liability pass-through entity or general partnership (organized or formed as a general partnership after January 1, 2006) doing business in Kentucky. Enter the total amounts from Schedule LLET-C in Section A of this schedule.

Section A - Computation of Gross Receipts and Gross Profits

	Column A Kentucky	Column B Total
1. Gross receipts	85,383	85,383
2. Returns and allowances		
3. Gross receipts after returns and allowances (line 1 less line 2 or amount from Schedule LLET-C)	85,383	85,383
4. Cost of goods sold		
5. Gross profits (line 3 less line 4 or amount from Schedule LLET-C)	85,383	85,383

Section B - Computation of Gross Receipts LLET

1. If gross receipts from all sources (Column B, line 3) are \$3,000,000 or less, STOP and enter \$175 on Section D, line 1	1	
2. If gross receipts from all sources (Column B, line 3) are greater than \$3,000,000 but less than \$6,000,000, enter the following: (Column A, line 3 x 0.00095) $\left[\frac{\$2,850 \times (\$6,000,000 - \text{Column A, line 3})}{\$3,000,000} \right]$ but in no case shall the result be less than zero	2	0
3. If gross receipts from all sources (Column B, line 3) are \$6,000,000 or greater, enter the following: Column A, line 3 x 0.00095	3	0
4. Enter the amount from line 2 or line 3	4	0

Section C - Computation of Gross Profits LLET

1. If gross profits from all sources (Column B, line 5) are \$3,000,000 or less, STOP and enter \$175 on Section D, line 1	1	
2. If gross profits from all sources (Column B, line 5) are greater than \$3,000,000 but less than \$6,000,000, enter the following: (Column A, line 5 x 0.0075) $\left[\frac{\$22,500 \times (\$6,000,000 - \text{Column A, line 5})}{\$3,000,000} \right]$ but in no case shall the result be less than zero	2	0
3. If gross profits from all sources (Column B, line 5) are \$6,000,000 or greater, enter the following: Column A, line 5 x 0.0075	3	0
4. Enter the amount from line 2 or line 3	4	0

Section D - Computation of LLET

1. Enter the lesser of Section B, line 4 or Section C, line 4, or a minimum of \$175 on this line and on Form 720, Part I, line 1; for Form 720S, 725 or 765, enter on Part II, line 1	1	175
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STOP Mark the applicable Receipts Method box on Form 720, 720S, 725 or 765, page 1, Item B.



**SHAREHOLDER'S SHARE OF
 INCOME, CREDITS, DEDUCTIONS, ETC.**

▶ See instructions.

For calendar year 2011 or fiscal year beginning **JAN 1** 2011, and ending

DEC 31, 2011

Shareholder's identifying number ▶ [REDACTED]	S corporation's FEIN ▶ [REDACTED]	Kentucky Corporation/LLET Account Number ▶ [REDACTED]
--	--	--

Shareholder's name, address and ZIP code LARRY ASHER 11904 APPLETON WAY, UNIT 13 KNOXVILLE, TN 37922	S corporation's name, address and ZIP code <i>Check if applicable:</i> <input type="checkbox"/> Qualified investment pass-through entity FERN LAKE COMPANY P.O. BOX 1727 MIDDLESBORO, KY 40965
--	---

A. Shareholder's percentage of stock ownership for tax year	▶ 50.000000%
B. (1) Resident shareholder's taxable percentage of pro rata share items	▶ 100%
(2) Nonresident shareholder's taxable percentage of pro rata share items (see Schedule A, Section I, line 12)	▶ 100.0000%
C. What type of entity is this shareholder? <input checked="" type="checkbox"/> Individual <input type="checkbox"/> Estate <input type="checkbox"/> Trust <input type="checkbox"/> Single Member LLC	
D. Check the box if nonresident shareholder's income is reported on: <input checked="" type="checkbox"/> Kentucky Nonresident Income Tax Withholding on Distributive Share Income Transmittal Report and Composite Income Tax Return (Form 740NP-WH and Form PTE-WH)	
E. Check if applicable: (1) <input type="checkbox"/> Final K-1 (2) <input type="checkbox"/> Amended K-1	

IMPORTANT: Refer to Shareholder's Instructions for Schedule K-1 before entering information from Schedule K-1 on your tax return.

		(a) Pro Rata Share Items	(b) Amount
Income (Loss)			
1. Ordinary income (loss) from trade or business activities	1		37,918
2. Net income (loss) from rental real estate activities	2		
3. Net income (loss) from other rental activities	3		
4. Portfolio income (loss):			
(a) Interest	4(a)		
(b) Dividends	(b)		
(c) Royalties	(c)		
(d) Net short-term capital gain (loss)	(d)		
(e) Net long-term capital gain (loss)	(e)		
(f) Other portfolio income (loss) (attach schedule)	(f)		
5. Section 1231 net gain (loss) (other than due to casualty or theft)	5		
6. Other income (loss) (attach schedule)	6		
Deductions			
7. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)	7		
8. IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562)	8		
9. Deductions related to portfolio income (loss) (attach schedule)	9		
10. Other deductions (attach schedule)	10		
Investment Interest			
11. (a) Interest expense on investment debts	11(a)		
(b) (1) Investment income included on lines 4(a), 4(b), 4(c) and 4(f) above	(b)(1)		
(2) Investment expenses included on line 9 above	(2)		
Tax Credits			
12. Kentucky Small Business Investment Tax Credit	12		
13. Skills Training Investment Tax Credit	13		
14. Certified Rehabilitation Tax Credit	14		
15. Kentucky Unemployment Tax Credit	15		
16. Recycling/Composting Equipment Tax Credit	16		
17. Kentucky Investment Fund Tax Credit	17		



SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

(a) Pro Rata Share Items (continued)	(b) Amount
Tax Credits - continued	
18. Coal Incentive Tax Credit	18
19. Qualified Research Facility Tax Credit	19
20. GED Incentive Tax Credit	20
21. Voluntary Environmental Remediation Tax Credit	21
22. Biodiesel Tax Credit	22
23. Environmental Stewardship Tax Credit	23
24. Clean Coal Incentive Tax Credit	24
25. Ethanol Tax Credit	25
26. Cellulosic Ethanol Tax Credit	26
Form 5695-K Pass-through Amounts	
27. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 3)	27
28. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 9)	28
29. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 15)	29
30. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 29)	30
31. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 32)	31
32. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 44)	32
33. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 47)	33
34. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 54)	34
35. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 60)	35
36. Railroad Maintenance and Improvement Tax Credit	36
37. Endow Kentucky Tax Credit	37
Other Items	
38. (a) Type of Section 59(e)(2) expenditures ▶	38(a)
(b) Amount of Section 59(e)(2) expenditures	(b)
39. Tax-exempt interest income	39
40. Other tax-exempt income	40
41. Nondeductible expenses	41
42. Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	42
43. Supplemental information required to be reported to each shareholder (attach schedules)	43
44. Total dividend distributions paid from accumulated earnings and profits	44
LLET Pass-through Items	
45. Shareholder's share of S corporation's Kentucky sales from Schedule K, Section II, line 1	45
46. Shareholder's share of S corporation's total sales from Schedule K, Section II, line 2	46
47. Shareholder's share of S corporation's Kentucky property from Schedule K, Section II, line 3	47
48. Shareholder's share of S corporation's total property from Schedule K, Section II, line 4	48
49. Shareholder's share of S corporation's Kentucky payroll from Schedule K, Section II, line 5	49
50. Shareholder's share of S corporation's total payroll from Schedule K, Section II, line 6	50
51. Shareholder's share of Kentucky gross profits from Schedule K, Section II, line 7	51
52. Shareholder's share of total gross profits from all sources from Schedule K, Section II, line 8	52
53. Shareholder's share of limited liability entity tax (LLET) nonrefundable credit from Schedule K, Section II, line 9	53
Resident Shareholder Adjustment	
54. Combination of Kentucky Schedule K-1, lines 1 through 5, 8 and portions of lines 6 and 10. Add income amounts and subtract (loss) and deduction amounts (see instructions)	54
55. Combination of federal Schedule K-1, lines 1 through 9, 11 and portions of lines 10 and 12. Add income amounts and subtract (loss) and deduction amounts (see instructions)	55
56. Enter the difference of lines 54 and 55 here and on appropriate line on Schedule M (see instructions)	56



**SHAREHOLDER'S SHARE OF
 INCOME, CREDITS, DEDUCTIONS, ETC.**

▶ See instructions.

For calendar year 2011 or fiscal year beginning

JAN 1 2011, and ending

DEC 31, 2011

Shareholder's identifying number ▶	S corporation's FEIN	Kentucky Corporation/LLET Account Number ▶
---	-----------------------------	---

Shareholder's name, address and ZIP code GARY ASHER 684 CHAPEL POINT KNOXVILLE, TN 37922	S corporation's name, address and ZIP code Check if applicable: <input type="checkbox"/> Qualified investment pass-through entity FERN LAKE COMPANY P.O. BOX 1727 MIDDLESBORO, KY 40965
--	--

A. Shareholder's percentage of stock ownership for tax year	▶ 50.000000%
B. (1) Resident shareholder's taxable percentage of pro rata share items	▶ 100%
(2) Nonresident shareholder's taxable percentage of pro rata share items (see Schedule A, Section I, line 12)	▶ 100.0000%
C. What type of entity is this shareholder? <input checked="" type="checkbox"/> Individual <input type="checkbox"/> Estate <input type="checkbox"/> Trust <input type="checkbox"/> Single Member LLC	
D. Check the box if nonresident shareholder's income is reported on: <input checked="" type="checkbox"/> Kentucky Nonresident Income Tax Withholding on Distributive Share Income Transmittal Report and Composite Income Tax Return (Form 740NP-WH and Form PTE-WH)	
E. Check if applicable: (1) <input type="checkbox"/> Final K-1 (2) <input type="checkbox"/> Amended K-1	

IMPORTANT: Refer to Shareholder's Instructions for Schedule K-1 before entering information from Schedule K-1 on your tax return.

(a) Pro Rata Share Items	(b) Amount
--------------------------	------------

Income (Loss)	
1. Ordinary income (loss) from trade or business activities	1 37,918
2. Net income (loss) from rental real estate activities	2
3. Net income (loss) from other rental activities	3
4. Portfolio income (loss):	
(a) Interest	4(a)
(b) Dividends	(b)
(c) Royalties	(c)
(d) Net short-term capital gain (loss)	(d)
(e) Net long-term capital gain (loss)	(e)
(f) Other portfolio income (loss) (attach schedule)	(f)
5. Section 1231 net gain (loss) (other than due to casualty or theft)	5
6. Other income (loss) (attach schedule)	6

Deductions	
7. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH)	7
8. IRC Section 179 expense deduction (attach federal Form 4562 and Kentucky Form 4562)	8
9. Deductions related to portfolio income (loss) (attach schedule)	9
10. Other deductions (attach schedule)	10

Investment Interest	
11. (a) Interest expense on investment debts	11(a)
(b) (1) Investment income included on lines 4(a), 4(b), 4(c) and 4(f) above	(b)(1)
(2) Investment expenses included on line 9 above	(2)

Tax Credits	
12. Kentucky Small Business Investment Tax Credit	12
13. Skills Training Investment Tax Credit	13
14. Certified Rehabilitation Tax Credit	14
15. Kentucky Unemployment Tax Credit	15
16. Recycling/Composting Equipment Tax Credit	16
17. Kentucky Investment Fund Tax Credit	17



SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

(a) Pro Rata Share Items (continued)	(b) Amount	
Tax Credits - continued		
18. Coal Incentive Tax Credit	18	
19. Qualified Research Facility Tax Credit	19	
20. GED Incentive Tax Credit	20	
21. Voluntary Environmental Remediation Tax Credit	21	
22. Biodiesel Tax Credit	22	
23. Environmental Stewardship Tax Credit	23	
24. Clean Coal Incentive Tax Credit	24	
25. Ethanol Tax Credit	25	
26. Cellulosic Ethanol Tax Credit	26	
Form 5695-K Pass-through Amounts		
27. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 3)	27	
28. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 9)	28	
29. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 15)	29	
30. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 29)	30	
31. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 32)	31	
32. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 44)	32	
33. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 47)	33	
34. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 54)	34	
35. Energy Efficiency Products Tax Credit (Enter on Form 5695-K, line 60)	35	
36. Railroad Maintenance and Improvement Tax Credit	36	
37. Endow Kentucky Tax Credit	37	
Other Items		
38. (a) Type of Section 59(e)(2) expenditures ▶	38(a)	
(b) Amount of Section 59(e)(2) expenditures	(b)	
39. Tax-exempt interest income	39	
40. Other tax-exempt income	40	
41. Nondeductible expenses	41	
42. Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	42	38,300
43. Supplemental information required to be reported to each shareholder (attach schedules)	43	
44. Total dividend distributions paid from accumulated earnings and profits	44	
LLET Pass-through Items		
45. Shareholder's share of S corporation's Kentucky sales from Schedule K, Section II, line 1	45	
46. Shareholder's share of S corporation's total sales from Schedule K, Section II, line 2	46	
47. Shareholder's share of S corporation's Kentucky property from Schedule K, Section II, line 3	47	
48. Shareholder's share of S corporation's total property from Schedule K, Section II, line 4	48	
49. Shareholder's share of S corporation's Kentucky payroll from Schedule K, Section II, line 5	49	
50. Shareholder's share of S corporation's total payroll from Schedule K, Section II, line 6	50	
51. Shareholder's share of Kentucky gross profits from Schedule K, Section II, line 7	51	
52. Shareholder's share of total gross profits from all sources from Schedule K, Section II, line 8	52	
53. Shareholder's share of limited liability entity tax (LLET) nonrefundable credit from Schedule K, Section II, line 9	53	
Resident Shareholder Adjustment		
54. Combination of Kentucky Schedule K-1, lines 1 through 5, 8 and portions of lines 6 and 10. Add income amounts and subtract (loss) and deduction amounts (see instructions)	54	
55. Combination of federal Schedule K-1, lines 1 through 9, 11 and portions of lines 10 and 12. Add income amounts and subtract (loss) and deduction amounts (see instructions)	55	
56. Enter the difference of lines 54 and 55 here and on appropriate line on Schedule M (see instructions)	56	

Department of the Treasury
Internal Revenue Service (77)

▶ Do not file this form unless the corporation has filed or is
attaching Form 2553 to elect to be an S corporation.

For calendar year 2011 or tax year beginning _____, and ending _____

A S election effective date 12/31/1986	TYPE OR PRINT	Name FERN LAKE COMPANY	D Employer identification number [REDACTED]
B Business activity code number (see instructions) 221300		Number, street, and room or suite no. If a P.O. box, see instructions. P.O. BOX 1727	E Date incorporated 02/21/1949
C Check if Sch. M-3 attached <input type="checkbox"/>		City or town, state, and ZIP code MIDDLESBORO, KY 40965	F Total assets (see instructions) \$ 30,920.

G Is the corporation electing to be an S corporation beginning with this tax year? Yes No If "Yes," attach Form 2553 if not already filed

H Check if: (1) Final return (2) Name change (3) Address change (4) Amended return (5) S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year _____ ▶ **2**

Caution: Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information.

Income	1 a Merchant card and third-party payment. For 2011, enter -0- 0. b Gross receipts or sales not reported on line 1a 85,383. c Total. Add lines 1a and 1b ▶	1c	85,383.
	d Returns and allowances plus any other adjustments (see instrs.) _____ e Subtract line 1d from line 1c ▶	1e	85,383.
	2 Cost of goods sold (attach Form 1125-A) _____	2	
	3 Gross profit. Subtract line 2 from line 1e _____	3	85,383.
	4 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) _____	4	
	5 Other income (loss) (attach statement) _____	5	
6 Total income (loss). Add lines 3 through 5 _____ ▶	6	85,383.	
Deductions (See instructions for limitations)	7 Compensation of officers _____	7	
	8 Salaries and wages (less employment credits) _____	8	
	9 Repairs and maintenance _____	9	
	10 Bad debts _____	10	
	11 Rents _____	11	
	12 Taxes and licenses STATEMENT 1 _____	12	7,285.
	13 Interest _____	13	
	14 Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562) _____	14	
	15 Depletion (Do not deduct oil and gas depletion.) _____	15	
	16 Advertising _____	16	
	17 Pension, profit-sharing, etc., plans _____	17	
	18 Employee benefit programs _____	18	
	19 Other deductions (attach statement) STATEMENT 2 _____	19	2,262.
	20 Total deductions. Add lines 7 through 19 _____ ▶	20	9,547.
	21 Ordinary business income (loss). Subtract line 20 from line 6 _____	21	75,836.

Tax and Payments	22 a Excess net passive income or LIFO recapture tax (see instructions) _____	22a		22c
	b Tax from Schedule D (Form 1120S) _____	22b		
	c Add lines 22a and 22b _____			
	23 a 2011 estimated tax payments and 2010 overpayment credited to 2011 _____	23a		23d
	b Tax deposited with Form 7004 _____	23b		
	c Credit for federal tax paid on fuels (attach Form 4136) _____	23c		
	d Add lines 23a through 23c _____			
	24 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>	24		
	25 Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed _____	25		
	26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid _____	26		
27 Enter amount from line 26 Credited to 2012 estimated tax <input type="checkbox"/> Refunded <input type="checkbox"/>	27			

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here ▶ _____ Date _____ Title **CHIEF FINANCIAL OFFICER**

Signature of officer _____ Date _____ Title **CHIEF FINANCIAL OFFICER**

May the IRS discuss this return with the preparer shown below (see instr.)? Yes No

Paid Preparer Use Only	Print/Type preparer's name KEVIN MCCOLLUM, CPA	Preparer's signature [REDACTED]	Date 09/17/12	Check if self-employed <input type="checkbox"/>	PTIN [REDACTED]
	Firm's name ▶ COULTER & JUSTUS, P.C.	Firm's EIN ▶ [REDACTED]			
	Firm's address ▶ 9717 COGDILL ROAD, SUITE 201 KNOXVILLE, TN 37932	Phone no. 865-637-4161			

Schedule B Other Information (see instructions)	Yes	No
1 Check accounting method: (a) <input type="checkbox"/> Cash (b) <input checked="" type="checkbox"/> Accrual (c) <input type="checkbox"/> Other (specify) ▶		
2 See the instructions and enter the: (a) Business activity ▶ WATER SUPPLY (b) Product or service ▶ WATER		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a qualified subchapter S subsidiary election made?		X
4 Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, provide information on any reportable transaction?		X
5 Check this box if the corporation issued publicly offered debt instruments with original issue discount ▶ <input type="checkbox"/> If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
6 If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years ▶ \$ _____		
7 Enter the accumulated earnings and profits of the corporation at the end of the tax year ▶ \$ _____		
8 Are the corporation's total receipts (see instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L and M-1	X	
9 During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If "Yes," see instructions		X
10a Did the corporation make any payments in 2011 that would require it to file Form(s) 1099 (see instructions)?		X
b If "Yes," did the corporation file or will it file all required Forms 1099?		

Schedule K Shareholders' Pro Rata Share Items		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 21)	1	75,836.
	2 Net rental real estate income (loss) (attach Form 8825)	2	
	3a Other gross rental income (loss)	3a	
	b Expenses from other rental activities (attach statement)	3b	
	c Other net rental income (loss). Subtract line 3b from line 3a	3c	
	4 Interest income	4	
	5 Dividends: a Ordinary dividends	5a	
	b Qualified dividends	5b	
	6 Royalties	6	
	7 Net short-term capital gain (loss) (attach Schedule D (Form 1120S))	7	
8a Net long-term capital gain (loss) (attach Schedule D (Form 1120S))	8a		
b Collectibles (28%) gain (loss)	8b		
c Unrecaptured section 1250 gain (attach statement)	8c		
9 Net section 1231 gain (loss) (attach Form 4797)	9		
10 Other income (loss) (see instructions) ... Type ▶	10		

		Shareholders' Pro Rata Share Items (continued)	Total amount
Deductions	11	Section 179 deduction (attach Form 4562)	11
	12 a	Contributions	12a
	b	Investment interest expense	12b
	c	Section 59(e)(2) expenditures (1) Type ▶	12c(2)
	d	Other deductions (see instructions) Type ▶	12d
Credits	13 a	Low-income housing credit (section 42(j)(5))	13a
	b	Low-income housing credit (other)	13b
	c	Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)	13c
	d	Other rental real estate credits (see instructions) Type ▶	13d
	e	Other rental credits (see instructions) Type ▶	13e
	f	Alcohol and cellulosic biofuel fuels credit (attach Form 6478)	13f
	g	Other credits (see instructions) Type ▶	13g
Foreign Transactions	14 a	Name of country or U.S. possession ▶	
	b	Gross income from all sources	14b
	c	Gross income sourced at shareholder level	14c
		Foreign gross income sourced at corporate level	
	d	Passive category	14d
	e	General category	14e
	f	Other (attach statement)	14f
		Deductions allocated and apportioned at shareholder level	
	g	Interest expense	14g
	h	Other	14h
		Deductions allocated and apportioned at corporate level to foreign source income	
	i	Passive category	14i
	j	General category	14j
k	Other (attach statement)	14k	
	Other information		
	l Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	14l	
	m Reduction in taxes available for credit (attach statement)	14m	
	n Other foreign tax information (attach statement)		
Alternative Minimum Tax (AMT) Items	15 a	Post-1986 depreciation adjustment	15a
	b	Adjusted gain or loss	15b
	c	Depletion (other than oil and gas)	15c
	d	Oil, gas, and geothermal properties - gross income	15d
	e	Oil, gas, and geothermal properties - deductions	15e
	f	Other AMT items (attach statement)	15f
Items Affecting Shareholder Basis	16 a	Tax-exempt interest income	16a
	b	Other tax-exempt income	16b
	c	Nondeductible expenses	16c
	d	Distributions (attach statement if required)	16d
	e	Repayment of loans from shareholders	16e
Other Information	17 a	Investment income	17a
	b	Investment expenses	17b
	c	Dividend distributions paid from accumulated earnings and profits	17c
	d	Other items and amounts (attach statement)	
Reconciliation	18	Income/loss reconciliation. Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and 14l	18
			75,836.

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Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash		1,298.		535.
2 a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (att. stmt.)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (att. stmt.)				
10 a	Buildings and other depreciable assets	49,225.		49,225.	
b	Less accumulated depreciation	49,225.	0.	49,225.	0.
11 a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)		23,834.		23,833.
13 a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
14	Other assets (att. stmt.)	STATEMENT 3	6,552.		6,552.
15	Total assets		31,684.		30,920.
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (att. stmt.)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more		219,279.		219,279.
21	Other liabilities (att. stmt.)				
22	Capital stock		13,000.		13,000.
23	Additional paid-in capital				
24	Retained earnings	STATEMENT 4	-200,595.		-201,359.
25	Adjustments to shareholders' equity (att. stmt.)				
26	Less cost of treasury stock		()		()
27	Total liabilities and shareholders' equity		31,684.		30,920.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return
 Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more - see instructions

1	Net income (loss) per books	75,836.	5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize): a Tax-exempt interest \$	
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):		6	Deductions included on Schedule K, lines 1 through 12 and 14i, not charged against book income this year (itemize): a Depreciation \$	
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 14i (itemize): a Depreciation \$ b Travel and entertainment \$		7	Add lines 5 and 6	
4	Add lines 1 through 3	75,836.	8	Income (loss) (Schedule K, line 18). Line 4 less line 7	75,836.

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see instructions)

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1	Balance at beginning of tax year	8,336.	
2	Ordinary income from page 1, line 21	75,836.	
3	Other additions		
4	Loss from page 1, line 21	()	
5	Other reductions	()	
6	Combine lines 1 through 5	84,172.	
7	Distributions other than dividend distributions	76,600.	
8	Balance at end of tax year. Subtract line 7 from line 6	7,572.	



FORM 1120S TAXES AND LICENSES STATEMENT 1

DESCRIPTION	AMOUNT
PROPERTY TAX	130.
STATE INCOME TAX	7,155.
TOTAL TO FORM 1120S, PAGE 1, LINE 12	7,285.

FORM 1120S OTHER DEDUCTIONS STATEMENT 2

DESCRIPTION	AMOUNT
LEGAL & ACCOUNTING	905.
OTHER EXPENSES	1,357.
TOTAL TO FORM 1120S, PAGE 1, LINE 19	2,262.

SCHEDULE L OTHER ASSETS STATEMENT 3

DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR
OTHER ASSETS	6,552.	6,552.
TOTAL TO SCHEDULE L, LINE 14	6,552.	6,552.

SCHEDULE L ANALYSIS OF TOTAL RETAINED EARNINGS PER BOOKS STATEMENT 4

DESCRIPTION	AMOUNT
BALANCE AT BEGINNING OF YEAR	-200,595.
NET INCOME PER BOOKS	75,836.
DISTRIBUTIONS	-76,600.
OTHER INCREASES (DECREASES)	
BALANCE AT END OF YEAR - SCHEDULE L, LINE 24, COLUMN (D)	-201,359.

FOR Middlesboro, Kentucky

PSC KY NO. _____

_____ SHEET NO. _____

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

FERN LAKE COMPANY

(NAME OF UTILITY)

CLASSIFICATION OF SERVICE

The sole customer of Fern Lake Company is ~~Kentucky Water Service Company, Inc.~~ Utilities, Inc., a Public Utility, who supplies water to customers at Middlesboro, Kentucky.

(1) Rates: Monthly

First 41,667,000 Gallons (Minimum Bill) ~~\$7,100.00~~ \$12,483.00

Additional 1,000 Gallons Rate Per 1,000 Gallons ~~.18~~ \$ 0.30

(2) Surcharge

~~A Surcharge of \$18,700.00 per month, in addition to the monthly rates set forth hereinabove, became effective with the February 1, 1984 billing to Kentucky Water Service Company, Inc., said payment being due by the 10th of February 1984, and monthly thereafter in like manner for a period not to exceed 20 years, and is to be discontinued with a \$1,700,000.00 Loan for Dam Repairs has been fully amortized. This Surcharge was assigned by Fern Lake Company by assignment dated December 23, 1983, unto the State National Bank of Maysville, Maysville, Kentucky, as Trustee pursuant to a Mortgage and Indenture of Trust dated December 1, 1983 between the City of Middlesboro, Kentucky, The State National Bank of Maysville, Maysville, Kentucky, as Trustee, and Fern Lake Company; and pursuant to a December 1, 1983 Loan Agreement between the City of Middlesboro, Kentucky and Fern Lake Company.~~

DATE OF ISSUE _____
MONTH / DATE / YEAR

DATE EFFECTIVE _____
MONTH / DATE / YEAR

ISSUED BY _____
SIGNATURE OF OFFICER

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____